



# **Daily Report—**

# **China**

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# Daily Report

## China

FBIS-CHI 93-235

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9 December 1993

**NOTICE TO READERS:** An \* indicates material not disseminated in electronic form.

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## General

### Foreign Ministry Holds Weekly News Briefing

#### Hong Kong Preparations To 'Intensify'

OW0912094693 Beijing XINHUA in English 0933  
GMT 9 Dec 93

[Text] Beijing, December 9 (XINHUA)—A Chinese Foreign Ministry spokesman said today that China will step up preparations for the smooth implementation of the Basic Law in Hong Kong after 1997.

The spokesman, Wu Jianmin, made the remarks at a weekly press conference here this afternoon, in answering the question: "What is China going to do now that the Sino-British talks have broken down?"

He said: "The Chinese Government will intensify its efforts to do all the preparations for the resumption of its exercise of sovereignty over Hong Kong so as to ensure a smooth implementation of the Basic Law after 1997 and maintain Hong Kong's long-term prosperity and stability."

Reiterating China's position on the issue, the spokesman indicated that the British side was responsible for the break-down of the talks.

Wu said that during the 17th round of talks, the British side unilaterally broke off the negotiations on the question of the district elections in Hong Kong.

On December 2, he continued, the Hong Kong governor announced his decision to submit parts of the legislative draft to the Legislative Council of Hong Kong for discussion.

"The hypocrisy of the British side in expressing willingness for continuation of the talks with the Chinese side under such circumstances is obvious enough," said the spokesman.

"As early as last April," Wu said, "when the two sides of China and Britain reached agreement on the holding of the talks, the Chinese side made it clear that pending an agreement being reached in the Sino-British talks, should the British side submit the so-called reform bill [zheng zhi fa an 2398 0455 3127 2714] to the Legislative Council for discussion, that would mean the breakdown of the talks, and responsibility does not rest with the Chinese side."

"This is still the position of the Chinese side," said the spokesman.

#### Further on Hong Kong Issue

OW0912105493 Beijing XINHUA Domestic Service in Chinese 0924 GMT 9 Dec 93

[By reporter Chen Yonghong (7115 3057 4767) and trainee reporter Huang Yan (7806 3601)]

[Text] Beijing, 9 Dec (XINHUA)—The Chinese Government will step up preparations for the resumption of its exercise of sovereignty over Hong Kong so as to ensure a smooth implementation of the basic law after 1997 and maintain Hong Kong's long-term prosperity and stability, said Wu Jianmin, a spokesman of the Foreign Ministry, today.

The remarks were made by Wu Jianmin at a weekly news conference here this afternoon in answering questions asked by reporters. A reporter asked: What is China going to do now in view of the current state of the Sino-British talks? Another reporter asked: After the 17th round of the Sino-British talks, the British Hong Kong authorities have repeatedly expressed the hope that both sides not leave the negotiation table. Under what circumstances will the Chinese side agree to resume talks with the British side?

Wu Jianmin said: During the 17th round of talks, the British side unilaterally broke off the negotiations on the question of the district elections in Hong Kong. On 2 December, the Hong Kong governor announced his decision to submit parts of the legislative draft to the Legislative Council of Hong Kong for discussion. "The hypocrisy of the British side in expressing willingness for continuation of the talks with the Chinese side under such circumstances is obvious enough."

He said: As early as April this year, when the two sides—China and Britain—reached agreement on the holding of the talks, the Chinese side made it clear that pending an agreement being reached in the Sino-British talks, should the British side submit the so-called reform bill [zheng zhi fa an 2398 0455 3127 2714] to the Legislative Council for discussion, that would mean the breakdown of the talks, and responsibility does not rest with the Chinese side. This is still the position of the Chinese side.

#### Japan Criticized for Taiwan Visits

OW0912085993 Beijing XINHUA in English 0846  
GMT 9 Dec 93

[Text] Beijing, December 9 (XINHUA)—A Chinese Foreign Ministry spokesman expressed regret here today at the Japanese Government's sanctioning of one of its officials to visit Taiwan, saying that "it is a most regrettable thing".

Spokesman Wu Jianmin said this at a weekly press conference held this afternoon.

He was commenting on a report that Yoshihiro Sakamoto, director of the Policy Bureau of Japan's Ministry of International Trade and Industry (MITI), when meeting Taiwan officials during his visit to Taiwan, indicated that the MITI would lend full cooperation to economic exchanges between Japan and Taiwan.

The spokesman said: "By sanctioning the MITI director's visit to Taiwan, the Japanese Government has seriously contravened the principles and spirit of the

Sino-Japanese joint statement and the treaty of peace and friendship between the two countries, which is a most regrettable thing.

"The Chinese Government has all along opposed any official contacts between Taiwan and countries having diplomatic ties with China," he said.

"We hope that the Japanese Government will strictly carry out the principles and spirit of the above-mentioned joint statement and treaty and try to prevent similar events from happening again," said the spokesman.

### Vatican Urged To Cut Taiwan Ties

*OW0912092793 Beijing XINHUA in English 0910  
GMT 9 Dec 93*

[Text] Beijing, December 9 (XINHUA)—A Foreign Ministry spokesman reiterated China's policy toward Vatican at a weekly press conference here this afternoon.

Spokesman Wu Jianmin stressed that Vatican should cut its so-called diplomatic relations with Taiwan and recognize the Government of the People's Republic of China (PRC) as the sole legal government of China, and Taiwan as a part of its territory.

Wu said that Vatican should stop its interference in China's internal affairs, including interference in China's religious matters.

China would normalize its relations with Vatican on the basis of the above mentioned policy, the spokesman stated.

### Founding of S. African Council Hailed

*OW0912091293 Beijing XINHUA in English 0859  
GMT 9 Dec 93*

[Text] Beijing, December 9 (XINHUA)—A Chinese Foreign Ministry spokesman expressed warm congratulations here this afternoon on the establishment of the South African Transitional Executive Council (TEC).

He said it is China's hope that the council will, through its effective work, create sound conditions for a smooth conduct of the first non-racial election in the history of South Africa, scheduled for April 27, 1994.

Spokesman Wu Jianmin made the comment at a routine press conference when answering questions.

The founding of TEC was decided by the multi-party negotiating council of South Africa in September this year.

The TEC, consisting of 16 persons, is an important organ in the transitional process of South Africa. Its major task is to prepare for the up-coming democratic election.

### Death of Ivorian President Mourned

*OW0912091993 Beijing XINHUA in English 0900  
GMT 9 Dec 93*

[Text] Beijing, December 9 (XINHUA)—China has expressed deep condolence on the death of Felix Houphouet-Boigny, president of the Republic of Cote d'Ivoire, a Foreign Ministry spokesman said here this afternoon.

When asked about the reaction in China of the president's death at the weekly press conference today, Spokesman Wu Jianmin said President Boigny was an influential senior statesman in Africa and a prominent leader of the people of Cote d'Ivoire.

For as long as half a century, Boigny led the national movement of independence and the efforts for economic development of Cote d'Ivoire and worked for the liberation, solidarity and unity of Africa, the spokesman noted.

President Boigny had always stood for peace and dialogue and a fair and just new world order, Wu said, adding that he was admired and respected by the African people and the international community at large.

The late president had made great contributions to fostering and developing the friendship between China and Cote d'Ivoire, and fruitful cooperation has been conducted in various fields since the two countries established diplomatic relations a decade ago, Wu added.

President Boigny died of a cancer Tuesday [7 December] morning at the age of 88, in his hometown of Yamoussoukro. He had been ill for months after undergoing surgery for prostate cancer in Paris in June.

Boigny was one of the world's longest-ruling presidents and often was called the grand old man of Africa.

### Uzbek Foreign Minister To Visit 18-25 Dec

*OW0912082693 Beijing XINHUA in English 0816  
GMT 9 Dec 93*

[Text] Beijing, December 9 (XINHUA)—Foreign Minister Saidmukhtar Saidqasymov of the Republic of Uzbekistan will visit China from December 18 to 25 at the invitation of Chinese Vice-Premier and Foreign Minister Qian Qichen.

This was announced by a Chinese Foreign Ministry spokesman at a press conference here this afternoon.

### Mexican President To Visit 16-19 Dec

*OW0912081693 Beijing XINHUA in English 0806  
GMT 9 Dec 93*

[Text] Beijing, December 9 (XINHUA)—At the invitation of Chinese President Jiang Zemin, President Carlos Salinas de Gortari of the United States of Mexico will pay a state visit to China from December 16 to 19.

A spokesman for the Chinese Foreign Ministry made this announcement at a press conference here this afternoon.

## United States & Canada

### President Clinton's Foreign, Domestic Policies Viewed

HK0812143093 Beijing LIAOWANG in Chinese No 47, 22 Nov 93 pp 40-41

[By Mei Zhong (2734 6850): "Commenting On and Analyzing Clinton's Domestic and Foreign Policies"]

[Text] Since Clinton assumed office, he has introduced a more complete set of administrative policies and tried to take "economic rejuvenation" as the key link to straighten out the economic structural relations, social and political relations, and international relations, and to shake off the "heavy economic and political pressure" with which he is now confronted, in a bid to lay down a sound foundation for continuously acting as a "world leader" in the 21st century. More than nine months have passed since he took office during which there have been both gains and losses but without any outstanding achievements. He is now repeatedly substantiating and readjusting his domestic and foreign policies, so it is expected that there will be improvement in some areas.

### Implementation and Readjustment of Domestic Policies

Focusing on the central target of "rejuvenating the domestic economy," Clinton has fulfilled the task in two aspects: 1) Regarding the economic problem as a matter of primary importance. Within one month of coming to power, he introduced the economic rejuvenation program called "Clinton Economics" and set the overall target of increasing taxes, reducing expenditure by \$946 billion, and cutting the deficits in half by 1997. 2) Carrying out political and social reforms. He announced a government re-creation plan, medical care reform plan, welfare reform plan, and so on in succession, in an attempt to "rebuild politics in the United States."

The reform measures which he adopted are characterized by wide coverage and a relatively larger intensity but it is not easy to put them into practice. First, it is difficult to peddle the economic rejuvenation program. Although the general direction has been endorsed by the public, once the implementation of the overall program involved specific interests of various parties, he was bogged down in the mire of conflicts between the legislature and public opinion. As a result, the short-term stimulation program was largely voted down and the bill to reduce deficits was at one time in a precarious condition. Second, the political foundation was shaken. Some of Clinton's administrative fiats have been regarded as a continuation of the unpopular "tax and spend" policy of the traditional liberal faction and have deviated from the main political ideological trend of the conservative faction which inclines toward the middle. In this way, he has broken the promises made during his

election campaign, to reduce taxes for the middle income strata. This was not only unanimously opposed by the Republicans but it also "estranged" him from the Democrat middle and conservative forces who originally supported him. Because the voters were extremely dissatisfied, he was politically damaged. Therefore, his political achievements in the previous stage were about average with cries of discontent rising everywhere. During the first half of June, his popularity rating dropped to 38 percent, the lowest for all new U.S. presidents during the same period of their office since World War II. Clinton himself also admitted that "he had basically fulfilled his promises but the achievements were insignificant."

In order to turn the tide in his favor, Clinton, who is good at making compromises and accommodations, made a series of rapid policy adjustments. First, he adapted and compromised in carrying out strategies and balancing interests, such as promising a greater reduction of budget spending, substantially cutting the energy tax and the increase margin of maximum tax rate, and so on. After six months of bargaining, the budget plan bill was finally adopted by both houses with a slender majority. This was called the "first tremendous success after a series of setbacks." Second, he returned to the middle stand, sought to establish a "ruling alliance" which would be supported by the great majority of voters, and brought a Republican into the five-person White House policymaking team, with Clinton and his wife at the core. This was a bid to change the previous situation whereby the two parties confronted each other and to establish an alliance comprising the middle and conservative Democratic forces and the moderate Republicans. He proposed a series of reform plans, including some propositions by conservative factions in both parties, such as the medical care reform which stresses market competition under government control, and so on, to win support from the middle income strata who account for a great majority of the voters.

Judging from the current conditions, things have improved to a certain extent in many facets and Clinton's administration has begun to enter a relatively stable period.

1. The economic situation is taking a turn for the better. The economic cycle is in its ascendant stage; the economic growth rate in the third quarter reached 2.8 percent; and the momentum of recovery, though unsatisfactory, is still growing steadily. Greenspan, chairman of the Federal Reserve Board, said recently: Owing to the enhancement of labor productivity and the improvement of structural issues, the "economy will certainly be healthier and more energetic than it has been in the past decade." According to favorable signs in seven aspects, including capital investment, employment, inflation rate, interest rates, personal indebtedness, expansion of bank credit, commercial real estate trading, and exports, the growth rates over the next two years will be higher than this year and will probably exceed 3 percent. After the plan to cut deficits is adopted, the long-term interest

rate will fall and markets will be enlivened. This will be conducive to mitigating the rapidly deteriorating financial conditions prevalent since Reagan was in power. Moreover, with implementation of the measures to foster industries, intensify education and training, and others, the above plan will produce a positive effect on long-term economic development and reinforcement of the comprehensive U.S. national strength.

2. There are a number of advantages in the current political situation as follows: A) The popularity rating has rebounded remarkably to reach 61 percent in September. B) There are signs of improvement in Clinton's relations with the Congress because quite a few Democratic members of Congress have indicated their willingness to "strongly support" the President so that the bills, including NAFTA, the medical care reform plan, the government re-creation plan, and so on, which are currently being examined, will be adopted. Republican congressmen have also indicated that they would conditionally support the bipartisan cooperation. C) If the economic growth rate exceeds 3 percent, or even approaches 4 percent, this will contribute a great deal to the medium-term elections and even Clinton's reelection campaign.

Clinton is faced with two major missions for the next move: 1) taking firm control of specifically carrying out the bill to cut budget deficits, and 2) striving by every means to adopt the relevant important bills. In particular, these bills are part and parcel of U.S. economic and social changes and their smooth adoption will have a bearing on the political future of Clinton as a "reform" president. That is why he said he would do all he could to have them approved by Congress.

There are still some difficulties confronting him and his administration during the next stage. Economically, there are still the following indefinite factors: The income tax rate increases and the reduction of government spending will check investment and consumption and curb the growth of job opportunities, which will have a certain negative impact on the economic recovery. As there are many accumulated malpractices in the U.S. economy, it still has a long way to go in enterprise structural readjustment and the transfer of military facilities to civilian use. Moreover, the huge debts and deficits cannot be easily reduced. Whether or not "Clinton Economics" will really break a "third path" has yet to be tested in practice. Politically, the ruling foundation is far from solid: Although Clinton's supporters hold a leading position, they do not have the steady majority that presidential rule requires. There are numerous factions in the Democratic Party, which exercises control over the Senate and the House of Representatives with a larger majority, but in fact it has not formed a majority alliance of Congress members conducive to the legislation by a Democratic President. Clinton's social and political reform is very large in scale with too many things to attend to, so that the public are mostly worried about whether or not it can be effectively carried out. The economic and social reform bill, which

is pending approval, is very complicated because it involves the immediate interests of various strata, various interest groups, as well as various factions in the two parties. Particularly because there are quite a few forces within the Democratic Party opposed to the bill, arduous efforts are still necessary for its approval.

#### **Formulation and Implementation of Foreign Policy**

Clinton is the first U.S. President elected after the Cold War. Since he assumed power, he has: "Reassessed" the U.S. security environment, position of strength, national strategies, and others; listed the "promotion of economic security," "the maintenance of powerful defense forces," and "the encouragement of world democratic revolution" as the three major pillars of his foreign policy; and made supplements and readjustments to these in their actual implementation.

1. Clinton took "rejuvenation of the domestic economy" as the primary mission for his foreign work. The Clinton administration maintains that U.S. international standing and influence in the 21st century depends on its economic rejuvenation and increased national strength. Therefore, "economic security" has become the "number one pillar" of his foreign policy and foreign affairs must serve U.S. domestic economic growth. First, it is necessary to exploit the role of foreign affairs in the "global economy in the early stage of a major change," strive by every means to wind up the Uruguay Round of multilateral talks at an early date, and maintain the openness and liberalization of the international trade system through GATT, NAFTA, Asia-Pacific Economic Cooperation organization, and others, to give impetus to a benign cycle of the world economy and create a favorable external environment for U.S. economic rejuvenation. Second, the United States is intensifying government intervention in foreign trade, laying emphasis on "fair trading," and reducing its trade deficits through talks with Japan, Europe, China, and others, while opening up overseas markets. Third, the United States is using foreign aid to contribute to exports of its products and labor services and relaxing or lifting its control over the national security screening system for the exports of some hi-tech products, such as large computers and so on, to expand exports. Fourth, the United States has instructed its embassies stationed in foreign countries to take economic relations and trade as their primary missions to help U.S. companies expand businesses in those countries. Fifth, the United States has readjusted its focal points in foreign intelligence work to rapidly enhance the ability for collecting the economic, trade, scientific, and technological information from foreign countries.

2. Clinton has gradually shifted the foreign affairs strategic center of gravity to the Asia-Pacific region. So far as economic interests are concerned, the Clinton administration has confirmed that "no region in the world is more important to the United States than the Asia-Pacific region," which is eulogized as the "engine room of world economic growth." In 1992, the United States

exported \$218 billion worth of products and labor services to the member countries of the Asia-Pacific Economic Cooperation organization, equivalent to 52 percent of its total export volume, and this created more than 2.3 million job opportunities for the American people. In the meantime, the United States also has great security interests in the region. The United States is confronted with many difficulties and challenges, such as its fragile bilateral relations with some countries, proliferation of dangerous weapons, overexpansion of population, environmental pollution, drug trafficking, and so on. On the other hand, most of the Asia-Pacific countries hope that the United States will maintain its military presence and play a "positive role" in the security field in this region. In this way, the United States can take advantage of the complicated relationships among the major countries in the Asia-Pacific region to occupy a position favorable to itself. In view of this, the United States has regarded the Asia-Pacific region as the "most hopeful region where it can do something worthwhile in terms of foreign policies." Hence, its foreign affairs strategic center of gravity has been shifted to this region even more distinctly. The first overseas trip Clinton made after coming to power was to Japan and the Republic of Korea. Furthermore, he has put forward the idea of a "New Pacific Community," featuring an integration of economic, political, and security policies.

3. Clinton's military strategic objective is to "win a victory in two wars simultaneously." After the disintegration of the Soviet Union, the principal focus of U.S. national security strategy turned toward regional conflicts. On 1 September, the United States officially put forward the "new military strategy" of "simultaneously winning a victory in two major regional wars" and the necessity to "maintain mighty defense forces" and safeguard its "only superpower" status by taking the "defeat of its potential invaders," "participation in international peacekeeping activities," "maintenance of its overseas military presence," and "preservation of effective nuclear deterrent strength," as its objectives. To this end, the United States has adopted the following measures: 1) Under the circumstances of continuously reducing the military budget and army scope, it has defined the "future structure of military forces," stressed the role of the Navy and Marine Corps in war, and heightened the vigilance of the U.S. Army against war. 2) It has enhanced the Army's combat capacity, flexibility, and strength to inflict casualties through various means in the areas of technology, equipment, and logistic maintenance and supplies. 3) It has developed high technology and sophisticated weapons with stress on the research and development of a defense system to cope with short-range missiles. 4) It has maintained its overseas military presence with 100,000 troops stationed in Europe and 98,000 troops in the Asia-Pacific region. 5) In dealing with international conflicts it has initiated a multilateral theory; stressed the need to bring into full play the role of international organizations such as the United Nations, and others; and conducted diplomatic activities of a preventive character [yu fang xing wai jiao 7315 7089

1840 1120 0074]. If necessary, however, it will not hesitate to take unilateral action, including the use of force.

4. Clinton has replaced the "containment strategy" adopted during the Cold War, by the "inclusion strategy" [kuo zhan zhan lue 2368 1455 2069 3970]. The Clinton administration maintains that the U.S. foreign strategy in the Cold War was to "do everything in its power to check the threat to the existence of the free system" but that, during the post-Cold War period, it should "expand the big family of democratic countries practicing market economy." In mid-September, Lake, assistant to the President for national security affairs, officially put forward the "inclusion strategy." Its essential substance is: 1) The United States should strengthen the big family of the Western democratic society practicing market economy, including the United States itself. 2) It should support and solidify the "new emerging countries upholding democracy and practicing market economy" and, particularly, support the "democratic process" in Russia. 3) It should strike back at the aggression of those countries hostile to democracy and market economy, accelerating liberalization in these countries through such measures as "enforcing blockades," "imposing penalties," "raising costs for suppressing democracy and human rights," and so on. 4) It should achieve the U.S. "humanitarian objective" by way of helping democracy and market economy to "take roots." The essence of the "inclusion strategy" is to push forward the American-style political democratic system and the market economic model to augment U.S. influence in the whole world.

Clinton's foreign affairs strategy also met a lot of challenges, including the contradiction between the relative decline of its national strength and the world leadership role it wants to play; the contradiction between the promotion of democracy, human rights, and other ideological interests and safeguarding practical economic and political interests; the contradiction between its domestic affairs and foreign relations; and so on, which cannot be easily resolved.

#### **Beijing's Chen Xitong Meets U.S. Guests Returning Relics**

SK0912054793 Beijing BEIJING RIBAO in Chinese 1 Dec 93 p 1

[By reporter Liu Shouchang (0491 1108 2490). "Sino-U.S. Relations Are Off on a Good Start"]

[Text] Chen Xitong, secretary of the municipal party committee, and Zhang Baifa, executive vice mayor of Beijing, met with Greenburger, president of the U.S. International Group Company and president of the U.S.-China Chamber of Commerce, and his son on the morning of 30 November.

Greenburger is an old friend of the Chinese people and has made great efforts to collect precious Chinese relics lost overseas. The purpose of his present visit to Beijing

is to return, without compensation, the 10 copper windows of Baoyun pavilion of the Qing Dynasty's Qingyi Garden (today's Summer Palace) which were lost earlier in this century.

Chen Xitong welcomed Mr. Greenburger. He said: Mr. Greenburger is dedicated to the friendship between China and the U.S. Practice has proven that his deeds are correct and beneficial to the Chinese and American people. President Jiang Zemin recently had an official meeting with President Clinton. This had an important significance itself, which helped promote mutual understanding and improve and develop Sino-U.S. relations and marked a good beginning in the relations between China and the U.S..

Chen Xitong expressed thanks to Mr. Greenburger for his efforts to collect lost Chinese relics and wished that he would visit and see more places in Beijing.

Greenburgur thanked Beijing municipal leaders for their hospitality. He said: The development of relations between the U.S. and China has had a good beginning. The relics China previously lost belong to China, and should be returned to it.

Municipal leaders Duan Bingren and Wan Siquan were present at the meeting.

### Seminar With U.S. on Enterprise Valuation Opens

*OW0912071293 Beijing XINHUA in English 0657  
GMT 9 Dec 93*

[Text] Beijing, December 9 (XINHUA)—A Sino-U.S. seminar on enterprise valuation and performance improvement, jointly sponsored by China's State Economic and Trade Commission (SETC) and the U.S. Firm Bain and Company, opened here today.

The 58 participants in the seminar come from eight departments and companies under China's State Council, and 12 enterprise groups.

According a SETC official, the two-day seminar is aimed to learn from Western experiences on enterprise management and discuss ways of setting up China's modern enterprise system to meet the demands of the establishment of a market economy.

During the seminar, Bain and Company will outline Western ways in enterprise valuation, mergers and acquisitions, and in enterprise performance improvement. The two sides will hold discussions on how Chinese enterprises can most effectively use foreign investments.

Speaking at the opening ceremony this morning, Secretary-General Gao Shudong of the setc called the seminar conducive to the exploring of China's modern enterprise system and the speeding up of the structure adjustment of the state-owned enterprises.

Regarding the modern enterprise system as a result of the market economy and socialized production, the secretary-general said that China, proceeding from its domestic situation, is willing to take in and draw on experiences of developed countries so as to establish a system that not only accords with national conditions but also integrates with international standards.

Greg Hutchinson, director of Bain and Company, said that China's reform program is "ambitious and comprehensive", adding that his company has a sincere interest in helping China to achieve its goals, especially on ways of setting up a modern enterprise system.

### China, U.S. Cooperate in Chronic Disease Research

*OW0912071293 Beijing XINHUA in English 0114  
GMT 9 Dec 93*

[Text] Hefei, December 9 (XINHUA)—In the countryside chronic diseases are closely connected with patients' occupations and the their working and living environment, according to a large-scale investigation now being conducted in east China's Anhui Province.

The investigation is part of a co-operative research program between Anhui Medical University and the Medical College of Harvard University in the U.S.

The research into chronic and non-infectious diseases, which started in May this year and will continue for 20 years, aims at clarifying the role of occupation- and environment-related factors that cause chronic diseases.

Since the 1970s the death rate from infectious diseases has been effectively curbed worldwide because of the introduction of effective vaccines and antibiotics. However, not much research has been done on the relationship between the environment and occupations, and chronic diseases such as tumors and heart disease, which are now major causes of death.

The two institutes chose the Yingjiang district of Anqing city, Yijin town in Jiayang County and Haikou town in Huaining County, all in Anhui, as the focus of their field work.

A four-month investigation of 52,000 of the total 60,000 population in the three areas has already been concluded covering 2,378 items, including chronic respiratory ailments, the influence of pesticides on health, female fertility and medical services in the countryside.

An investigation of the urban population in the same areas will soon be carried out.

These surveys will be repeated at five-year intervals, and the information will be fed into computers.

## Near East & South Asia

### Reportage on Li Ruihuan's South Asia Visit

#### In Karachi; Trip Temed 'Success'

OW0812144093 Beijing XINHUA in English 1302  
GMT 8 Dec 93

[Text] Karachi, December 8 (XINHUA)—The visit to South Asia by Li Ruihuan, chairman of the Chinese People's Political Consultative Conference (CPPCC), is a complete success.

This was stated by Han Xu, spokesman of the CPPCC delegation, here today, just one day before the end of Li's 15-day official goodwill visit to Nepal, India and Pakistan.

Li Ruihuan flew here today from Lahore, capital of Pakistan's Punjab Province to continue his visit in the country.

During his visit Li Ruihuan exchanged views with heads of state, prime ministers and parliamentary leaders of the three countries on bilateral, regional and international issues, Han said.

The visit has not only promoted the relationship between the CPPCC and the parliaments of the three countries, but also strengthened the friendship between the Chinese people and the three peoples, Han added.

The visit, the first ever official visit abroad by a CPPCC chairman, shows that China attaches great importance to her three South Asian neighbours, Han said.

The Chinese Government and people treasure the traditional friendly relations with the three countries, he added.

To develop long-term good-neighborly and mutually beneficial relations with these countries not only represents the fundamental interests and common desires of peoples in different countries, but also will contribute to the peace and stability in South Asia and the whole world.

Li Ruihuan will return to China after concluding his five-day official visit in Pakistan.

#### Departs Pakistan for Beijing

OW0912063393 Beijing XINHUA in English 0614  
GMT 9 Dec 93

[Text] Karachi, December 9 (XINHUA)—Li Ruihuan, chairman of the Chinese People's Political Consultative Conference (CPPCC), ended his 15-day official visit to Nepal, India and Pakistan.

He flew back to China this morning from Karachi, capital of Pakistan's Sindh Province, after a five-day stay in the country.

The CPPCC chairman was seen off at the airport by Pakistan Senate Chairman Wasim Sajjad who accompanied him during his visit in Pakistan, Sindh Chief Minister Abdullah Shah and Chinese Ambassador to Pakistan Zhou Gang.

In a telegram to Sajjad from his special flight, Li Ruihuan said his frank talks with the Senate chairman and meetings with President Farooq Leghari, Prime Minister Benazir Bhutto and Speaker Yousaf Raza Gillani show that the two sides share identical views on important regional and international issues.

Both sides have expressed satisfaction with the smooth development of bilateral relations and friendly exchanges of visits between CPPCC and the Pakistani senate, Li said.

"This short visit has enhanced understanding and strengthened friendship between the two countries," he said in the telegram.

Li expressed his confidence that Sino-Pak ties, with joint efforts of the two sides, will be further strengthened.

#### Li Ruihuan Talks With Indian President Reported

OW0812135193 Beijing Central Television Program  
One Network in Mandarin 2300 GMT 2 Nov 93

[From the "News" program]

[Text] Indian President S.D. Sharma met with Li Ruihuan, visiting chairman of the National Committee of the Chinese People's Political Consultative Conference [CPPCC], at Rashtrapati Bhavan on the morning of 1 December. President Sharma welcomed Li Ruihuan. He said: India follows closely China's economic reforms and open policy and admires its social stability and economic development. India and China have many things in common, and they could learn from and cooperate with each other in various fields, especially in agriculture, ecology, science and technology.

Sharma said: The Indian and Chinese peoples are not only friends, but also brothers who should share their achievements to step forward together.

Li Ruihuan expressed appreciation for the warm hospitality given him and his party by the Indian Government. He said: To develop friendly relations with our neighboring countries is our focal point and unwavering policy to deal with foreign countries. In 1982, Comrade Deng Xiaoping said: Although they are developing countries, China and India are not countries of little importance. China and India are two countries with the largest population in the world, accounting for one-third of the world's population. Being close neighbors, our two countries must understand each other and establish friendly ties. We had good cooperation in the past. The five principles of peaceful coexistence jointly initiated by Premiers Zhou Enlai and Nehru are recognized around the world.

Li Ruihuan emphasized Deng Xiaoping's view: We want to see a developed China, and we also want to see a developed India.

Li Ruihuan relayed to President Sharma President Jiang Zemin's cordial greetings and best wishes. Sharma expressed thanks and asked Li Ruihuan to relay his greetings to President Jiang Zemin. He added he hopes very much President Jiang Zemin could visit India.

Li Ruihuan met with Speaker Patil of India's Lok Sabha at the Indian Parliament Building on the same day. Li Ruihuan and Patil pledged to make constant efforts to strengthen exchanges. Li Ruihuan expressed pleasure at making acquaintance with Speaker Patil. He said: Your visit to China early this year has expanded exchanges between the two countries' parliaments, and it has also had a positive impact on further development of Sino-Indian relations.

Speaking of the role and functions of the CPPCC, Li Ruihuan said: The CPPCC has many strong points in its contact with foreign countries. Characterized by broad representation, it is a united front organization incorporating various political parties and organizations.

Speaker Patil said: Indian and Chinese premiers have exchanged visit in recent years. Indian president has also visited China. These visits have enhanced understanding, friendship, and trust. He added: India's Lok Sabha is willing to increase contact with the CPPCC and promote cooperation and exchanges between the two

countries' governments, parliaments, and nongovernmental organizations and between the two peoples to breathe new life into bilateral contact.

#### Zhang Wannian Ends Visit to Pakistan

OW0812140193 Beijing XINHUA Domestic Service in Chinese 0658 GMT 7 Dec 93

[By reporter Wang Hongyu (3076 4767 1342)]

[Text] Islamabad, 7 Dec (XINHUA)—General Zhang Wannian, chief of general staff of the Chinese People's Liberation Army [PLA], successfully completed his six-day goodwill visit to Pakistan and left the southern coastal city of Karachi for home today.

General Shamim Alam Khan, chairman of the joint chiefs of staff committee of Pakistan, made a special trip to Karachi to bid farewell to Zhang Wannian.

During his visit, General Zhang Wannian met separately with Pakistan President Farooq Leghari, Prime Minister Benazir Bhutto, Chairman of Joint Chiefs of Staff Committee Shamim Alam Khan, and three service chiefs. Zhang Wannian and his hosts all pledged to take further steps to strengthen traditional friendship and cooperation between the two countries and the two armed forces. He also visited Pakistan's major military facilities.

President Farooq Leghari conferred a medal of military brilliance on General Zhang Wannian for his contribution to Pakistan-China friendship.

General Zhang arrived in Pakistan on 1 December at the invitation of General Shamim Alam Khan.

## Political & Social

**Commentator on Studying Deng's Works**  
*HK0912115893 Beijing RENMIN RIBAO in Chinese*  
*7 Dec 93 p 1*

[Commentator's article: "Leading Cadres Should Take the Lead in Proper Study and Application—Third Commentary on Studying Volume 3 of the *Selected Works of Deng Xiaoping*"; see item headlined "RENMIN RIBAO Commentator on Deng's Works," published in the Political & Social section of the 30 November China DAILY REPORT, pages 17-18]

[Text] An upsurge of studying Volume 3 of the *Selected Works of Deng Xiaoping*. [Selected Works] has been unleashed in the entire party and throughout the country. Leading cadres at all levels, particularly the leading cadres above county (regimental) level, must take the lead in the study in line with the requirements of the central authorities, and set a good example in the study and practice of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics.

The *Selected Works* holds an important position in the formation and development of the theory of building socialism with Chinese characteristics. It also holds a significant, historic position in the development history of the theory of scientific socialism and Marxism. The conscientious study of the works is of vital significance to enabling us to acquire a clearer understanding of the present circumstances, have a good grasp of the overall situation, seek unity in thinking, enhance the consciousness and steadfastness of implementing the basic theory and basic line of the party, make further efforts to push forward reform, opening up, and the drive for modernization, and put into effect the decision on several issues regarding the establishment of a socialist market economic structure adopted at the Third Plenary Session of the 14th CPC Central Committee. Leading cadres at all levels are on the key posts of a unit, a department, or an area, so their theoretical attainment, political level, and ability in economic construction are of paramount importance to the smooth implementation of the party's basic line and various principles and policies. We should, therefore, arm the entire party with Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. But, first of all, we should arm the minds of the leading cadres at all levels. This is a crucial link of comprehensively pushing forward the great cause of building socialism with Chinese characteristics.

What should we do if we are too busy with our work? We must squeeze in time for study. As the saying goes: Grinding a chopper will not hold up the work of cutting firewood. The elevation of the theoretical level through study will enhance our sense of principle, systematics, farsightedness, and creativity, so that our work can be done even more remarkably. In fact, no matter how busy we are, there is always time, as long as we have a pressing

demand for study and have a high degree of consciousness. With regard to the leading cadres, the senior cadres in particular, they must properly handle the relation between study and work, and make the assiduous study and practice of Comrade Deng Xiaoping's theory an organic, dominant part of their work.

Party committees at all levels should positively create conditions for the theoretical study of leading cadres. The central authorities have decided to run theoretical seminars of studying the *Selected Works*, which will each take one month, so that the principal leaders at provincial and ministerial levels will be able to study in a concentrated way. Practice has proven that this is a good method for leading cadres to study with undivided attention so as to heighten their theoretical standards. Arrangements should also be made by various localities and departments to train leading cadres in rotation. At the same time, serious attention should be paid to the regular study of the central groups of party committees at all levels. They should adopt different, effective study methods under overall arrangements.

In the course of study, first, the original works should be read conscientiously and studied intensively, article by article and paragraph by paragraph. Their spirit and essence should be accurately grasped and thoroughly understood, and the practices of stopping after scratching the surface or feeling content with superficial understanding should be avoided. The works should be read through from cover to cover, so as to acquire a general understanding of their meanings. Then, on this basis, stress should be put on the key points so as to deepen the understanding of relevant theory and viewpoints. Painstaking efforts should be made in the study, and participants are encouraged to take notes for themselves, and not have their secretaries do it for them. On the basis of individual reading and study, they should hold discussions and compare experiences in a meticulous manner so as to have an incisive and comprehensive grasp of the theory.

In the study, leading cadres should take the lead in setting up a good study style of combining theory with practice. Leading cadres at all levels, those above the county level in particular, have been mostly engaging in the practice of reform and construction over the past 15 years. They are familiar with the conditions of their own units, departments, and areas, and have a lot of personal experience concerning the cause of building socialism with Chinese characteristics. Hence, they should closely integrate theory with the practice of their work and ideology, think deeply while reading, sum up past experience and lessons, analyze the present situation, and work out plans for the future. In light of their own thinking, they should seriously distinguish which understanding and practices conform to Comrade Xiaoping's theory so that they can consciously stick to them, and which ideas go against Comrade Xiaoping's theory so that they can consciously correct them. In combining theory with practice, special attention should be paid to combining with the practice of accelerated reform and

fast-paced development. By way of studying the important expositions of Comrade Deng Xiaoping on the establishment of a socialist market economic structure, they are expected to deepen their understanding of the decision adopted at the Third Plenary Session of the 14th CPC Central Committee and heighten their awareness of implementing the decision. Only by acquiring a real understanding in ideology can they use the theory to guide practice more effectively and fulfill various tasks of reform and construction more successfully.

The proper study and application of Comrade Deng Xiaoping's works with the good example set by the leading cadres will certainly give impetus to the study in the entire party and people. Once the theory is mastered by the masses, it will turn into material strength. The upsurge of extensive theoretical study has indicated the emergence of a new and even more vigorous development in China's reform, opening up, and socialist modernization.

#### **Deng Liqun Forms Team of 'Leftists'**

HK0912040293 Hong Kong SOUTH CHINA MORNING POST in English 9 Dec 93 p 10

[By Willy Wo-Lap Lam]

[Text] Conservative patriarch Deng Liqun has assembled a high-powered team to run the Contemporary China Research Institute (CCRI), regarded as a base for leftists or remnant Maoists. The institute, which has taken under its wing a large number of leftist members of the now-disbanded Central Advisory Commission (CAC), has coordinated activities to celebrate the centenary of Mao Zedong's birthday. It has also sponsored articles in official journals which criticise various aspects of market reform.

Chinese sources said yesterday Li Lian, 73, formerly secretary-general of the CAC and party secretary of Heilongjiang Province, had recently been made director of the institute. You Lin, editor of the leftist theoretical journal *Seeking Truth*, is the vice director. Other big-name leftists also serve on CCRI's management committee.

In an apparent attempt to play down his role in the unit, Mr Deng resigned from the committee recently. However, the veteran ideologue, sometimes known as the "underground general secretary of the party," retains his position as honorary president of the Research Society for Communist-Chinese Historical Figures, of which Mr Li is president.

Beijing sources said Mr Deng, who is in robust health, had, since 1991, been trying to propagate a "Mao Zedong craze" among the intelligentsia. The sources said in spite of the campaign to cut down on public expenditure, Mr Deng and his colleagues had had no problem securing funds for the CCRI, which has ministerial status. Mr Deng has also been successful in preventing

his leftist colleagues from being expelled from key units, including the Propaganda Department, People's Daily, and various universities.

Meanwhile, sources in the dissident community said the administration of Beijing University had tried to persuade rebel lecturer Yuan Hongbing to call off his activism by offering him a professorship. Mr Yuan, a lecturer in the law faculty, tried to stage a sit-in in mid-November to protest against alleged "political discrimination." He said he had been denied opportunities for promotion and that he was denied permission to visit Hong Kong on an academic exchange programme.

Campus security and police prevented him from staging the protest but his protest letter subsequently appeared in Hong Kong and Taiwan newspapers. "Late last month, university authorities told Yuan he would be promoted to professor if he were to withdraw his protest letter and stop engaging in political activities," a source said. "However, Yuan tore up the application form (for the professorship)."

Last year Mr Yuan masterminded the anti-leftist anthology *The Tides of History*, some of whose authors and editors are reportedly under police surveillance.

#### **State Council Issues Circular on Air Safety, Security**

OW0912101793 Beijing XINHUA in English 0956 GMT 9 Dec 93

[Text] Beijing, December 9 (XINHUA)—The Chinese State Council has issued a circular, calling for efforts to improve civil air services' safety and security.

The circular pointed out that China's civil air services have developed rapidly in recent years. But there are serious problems concerning air safety and security.

It demanded that the Civil Aviation Administration of China and the people's governments at the provincial level should put safety on top of the agenda, stressing the importance of air safety to people's lives and all property.

It urged them to enhance leadership and examination of air safety work and take effective measures to remove hidden perils and prevent accidents and hijacking.

It stressed that all the departments of civil aviation services should enhance safety examinations at airports and strictly abide by the regulations for safety checks.

The public security organs and relevant departments should strengthen controls on production and sale of guns, knives and daggers, and dangerous explosives and combustibles.

The departments of civil aviation services should enhance education and training among employees so as to raise the political and professional quality of the services.

It called for the civil aviation services to oppose the tendencies of worshipping money, anarchism and irresponsible attitudes to work.

The circular noted that the Civil Aviation Administration of China and all departments at local civil aviation administrations must enhance the management of unified leadership of civil aviation services and deepen the reforms in the services so as to solve the problems in the development of the services and reverse the unfavorable situation in the aviation services.

It called for enhancing air navigation controls and flight safety controls. There should be a check-up campaign in the services.

The circular also called for people to report hijacking clues to the public security organs to safeguard the interests of the state and the people.

### **Regulations on Giving, Accepting Gifts Released**

*OW0812135093 Beijing XINHUA in English 1301  
GMT 8 Dec 93*

[Text] Beijing, December 8 (XINHUA)—The State Council today released a set of regulations concerning giving and accepting gifts in official business with overseas visitors.

The move is aimed at stemming bribes and building a clean government.

Gifts for overseas visitors, including overseas Chinese, and residents of Hong Kong, Macao and Taiwan, must be of a reasonable price. They should mainly be items that bear national characteristics such as traditional handicrafts and other practical objects, the regulations stipulate.

Chinese officials are not permitted to take the initiative in giving gifts. Appropriate reciprocal gifts will be given if visitors present gifts first, according to the regulations.

Gift-giving should be approved by departments under the State Council or by the people's government at the provincial level.

Gifts received that are over 200 yuan in value must be submitted to higher authorities.

Offers of cash and securities must be turned down or submitted to the state treasury when the recipient is unable to refuse.

The regulations say that it is forbidden to make explicit or implicit hints of demanding gifts.

Employees of state administrative agencies will be held responsible in case of violation. Judicial departments will look into cases that amount to the proportions of crime, the regulations say.

### **Most Guns From 'Illegal Weapons Factories'**

*HK0912111693 Hong Kong AFP in English 1102 GMT  
9 Dec 93*

[Text] Beijing, Dec 9 (AFP)—Millions of illegal guns are circulating in China, but most of them come from the production lines of illegal weapons factories, and have not been smuggled in or stolen from military arsenals, the TIANJIN EVENING NEWS says.

"If someone wants to get rich quickly, all they have to do is manufacture weapons," it said in its latest edition, received here Thursday. The clandestine workshops crank out everything from handguns to explosives and rifles, it said.

In the first quarter of 1991, it said, 78 people in a district in Sichuan province, in the centre-west of China, were killed by guns that had been illegally made and sold. In Heilongjiang, in the northeast, 83 percent of crimes committed since 1992 have been carried out using illicit hunting rifles.

Authorities in Liaoning, Guangdong, Henan and Guangxi have confiscated hundreds of thousands of guns and rifles in the past two years. But criminals are not the main buyers, the paper said. More and more citizens in China now tote a gun, either to protect themselves or impress their friends.

### **Beijing To Be 'Modern World Metropolis'**

*OW0812042893 Beijing XINHUA in English 0232  
GMT 8 Dec 93*

[Text] Beijing, December 8 (XINHUA)—China plans to build its capital city into a modern world metropolis in the next two decades.

A blueprint recently approved by the State Council maps out the building of the city into a cultural and economic center with first-class public utilities, infrastructural facilities and living environment.

According to the overall urban program for 1991-2010, the future urban construction will place emphasis on the characteristics of the capital, and on the adjustment of the industrial structures and the use of land.

Start-ups of new heavy industrial plants, especially big power-consumers and those that may cause water and air pollution, would no longer be allowed in urban districts and the existing ones would not be expanded.

The city's total population of permanent residents will be restricted to 12.5 million by the year 2010 and land under urban construction will be limited to an area of 610 square kilometers.

In the suburban counties, Beijing will build 14 satellite towns each with a population of 150,000 to 400,000 people and 140 standardized townships.

In downtown Beijing, government institutions and large cultural facilities will mainly be ranged along Chang'an Boulevard.

A range of large, important public buildings, including financial centers and commercial centers, are to be built in surrounding suburban districts.

About 70 medium-sized commercial centers will also be set up in the city district.

But some traditional commercial and cultural areas will remain unchanged within the city's third ring road.

According to the program, the living conditions of city residents will be greatly improved, with an average living space increased to 11 square meters.

The future urban road and street construction aims at building a comprehensive traffic network, consisting of four main ring roads plus express highways and a fast 12-line rail traffic network.

#### **AIDS Sufferers Discovered in Beijing**

*HK0812142393 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1120 GMT 27 Nov 93*

[Text] Beijing, 27 Nov (ZHONGGUO TONGXUN SHE)—The Beijing epidemic prevention department revealed that 55 AIDS sufferers have been found in Beijing since 1985, ranking Beijing third among Chinese cities in terms of the number of AIDS carriers.

Of the 55 infected people, 32 are foreigners, 11 are from other cities and provinces, and 12 are local residents.

The first AIDS victim on the mainland was discovered in Beijing, as was the first Chinese AIDS victim, and the first AIDS victim among mainlanders working overseas.

According to an epidemiologist, the relevant epidemic rate in Beijing remains low.

#### **Culture Institute Holds Art Show Honoring Mao**

*HK0812125293 Beijing CHINA DAILY in English 8 Dec 93 p 5*

[By Chen Liang: "Traditional Skills Get an Airing for Mao Centenary"]

[Text] In traditional Chinese culture, poetry, calligraphy and art are scholars' most celebrated skills.

The elements are usually grouped together, as in the old saying "art contains a poem and a poem contains art."

Today, such traditions are less celebrated. Poetry, calligraphy and art are usually displayed independently, for few contemporary poets and artists follow the steps of the ancient Chinese scholars.

However, the Chinese Research Institute of History and Culture has been trying to collect works combining the

three elements and champion the tradition once more, encouraging poets and artists to come up with new works.

To mark the centenary of Mao Zedong's birth, the institute is sponsoring a show, containing 198 pieces, at the Cultural Palace of Nationalities all next week (December 12-15).

The exhibition will feature works by famous scholars and calligraphers Qi Gong and Xiao Lao, and famous artists Lu Guangzhao and Huang Jun.

There will also be works by Zhang Shizhao, Ye Gongchu, Shen Yinmo, Qi Baishi and Dong Biwu, all of whom became good friends of the late Chairman Mao Zedong, who has long been regarded, along with his other talents, as a fine poet, artist and calligrapher.

The show will also contain works by scholars of the Ming (1368- 1644), Qing (1644-1911) dynasties and from the early part of this century.

#### **FAZHI RIBAO Expansion Plans for 1994 Reported**

##### **To Include 'Social Special Issue'**

*HK0912014093 Beijing FAZHI RIBAO in Chinese 26 Nov 93 p 1*

[“Today's 'Weekend Edition' Is Changed Into a 'Special Issue' on a Trial Basis; the 'Special Issue' Solicits Articles”]

[Text] Next year, this newspaper will be expanded to eight pages, and a "social special issue" will be published on pages 5-7 every Wednesday. A wide variety of events, like a kaleidoscope, happen in society every day. The social special issue will mainly carry social news. It is intended to reflect various social issues through multifarious social phenomena to help readers widen their knowledge and have a better understanding of our society. From today onward, readers and writers from all circles are welcome to contribute articles to this newspaper, including written articles and news photos.

Please send your contributions to the special issue section of this newspaper. The address is No. A1, Huajiadi (5363 1367 0966), Chaoyang District, Beijing Municipality. The post code is 100015. You can also dial either of the telephone numbers 4365190 or 4361144 to contact this newspaper's editorial desk.

#### **Editor Says 'Frank Words' To Readers**

*HK0912014293 Beijing FAZHI RIBAO in Chinese 26 Nov 93 p 5*

[“Seeking Special Features, Striving To Blaze a New Trail—the FAZHI RIBAO Special Issue Editor's Frank Words to Readers”]

[Text] This special issue will mainly carry social news.

A wide variety of events, be they important or not, happen in society every day, and these events often embody certain legal implications. As a special issue of FAZHI RIBAO, our aim in publishing this social news is to reflect, through various social phenomena, all kinds of social and legal problems about which people are concerned so as to help readers have a better understanding of our society and enhance their legal awareness.

Readers may ask: What kind of concrete features does your special issue have? Our answer is: We do not have any features at this moment. This special issue is a new creation and we do not have any experience, therefore it is very hard to "fix in advance" any features, even though we do have a general idea. We are not willing to follow in others' footsteps, but since weekend editions, weekly editions, and special issues of many brother newspapers which have been published are so popular, it is really not so easy for our special issue, as a latecomer, and due to our limited standard, to blaze a new trail in the theme and form of articles and in layout. If you find something which it seems you have met before when you read this special issue, please be lenient for the moment. Two people will be interested in different things when they are reading the same newspaper. You may find the things which we, editors and writers, present to our readers are "appetizing," just like cooked food presented on the table by a chef to a diner; or you may find the food insipid. But anyway, it is you who knows best. If you would like to help us, please contribute your wisdom to us through letters, articles, and telephone calls. Let us make joint efforts in practice to create some features which you and we will like.

#### Provisions on Adoption by Foreigners Published

HK0812144093 Beijing FAZHI RIBAO in Chinese 13 Nov 93 p 2

[“Provisions Governing Child Adoption by Foreigners in the People’s Republic of China (Jointly Promulgated by the Ministry of Justice and the Ministry of Civil Affairs on 10 November 1993)"]

[Text] Article 1 These provisions are drawn up in accordance with the “Adoption Law of the People’s Republic of China” (hereinafter referred to as the “Adoption Law”).

Article 2 These provisions are applicable to adoptions of children of Chinese citizens by foreigners within the boundaries of the People’s Republic of China (hereinafter referred to as “in China”).

Couples with one spouse being a foreigner should also observe these provisions if they intend to adopt children of Chinese citizens in China.

Article 3 Foreigners who intend to adopt a child in China should observe the stipulations of the Adoption Law, and should not violate the laws of the adopter’s country of habitual residence at the same time.

One adopter can only adopt one child.

Article 4 A foreigner who intends to adopt children in China should ask the government of their own country or an adoption organ entrusted by their government to submit their adoption applications to an adoption organ entrusted by the Chinese Government, together with reports and certificates providing information on his family particulars.

The aforementioned application, reports on family particulars, and other documents submitted by an adopter refer to the following documents which should have been notarized by a notary institution or a notary in the adopter’s country of habitual residence; and should have also been attested by the Ministry of Foreign Affairs or by an institute authorized by the Ministry of Foreign Affairs of the adopter’s country of habitual residence, and by the Chinese embassy or consulate to the relevant country:

1. Application for adoption;
2. Birth Certificate;
3. Certificate of Marital Status;
4. Certificates of profession, financial income, and personal assets;
5. Health Certificate;
6. Criminal record, if any;
7. Approval granted by a relevant department in the adopter’s country of habitual residence on the adoption;
8. Report on family particulars, including the applicant’s personal identity, qualification and suitability for the adoption, family background and family medical history, motive of adoption, and proper characteristics for caring for children.

For foreign adopters who have been continuously working or studying in China for one year or more, besides submitting the aforementioned application, report on family particulars, and other documents (except item 5), they should also submit documents issued by their units in China providing information on their marital status, profession, financial income or personal assets, and criminal record, together with a health certificate issued by a Chinese medical unit at the county-level and above.

Article 5 After receiving the application, reports, and necessary documents from a foreign government or an adoption organ entrusted by a foreign government, the Chinese adoption organ will proceed to assist the adopter to seek an adoptee if the adopter is considered to have met the requirements stipulated in the adoption law.

Article 6 Besides submitting his personal identity certificate, his residence booklet (if the sender is a social welfare institute, the personal identity certificate of the

person in charge should be submitted), and the particulars of the adoptee to an adoption organ in China, the sender of a child for adoption should also provide the adoption organ with the following documents:

1. If the sender is the adoptee's own parents (including divorced parents), a written consent on the adoption signed by both parents should be submitted;
2. If the sender is the adoptee's own father or own mother whose spouse is deceased or missing, a certificate on the death or missing status of the spouse, as well as a declaration prepared by the parents of the deceased or the missing spouse on abstaining from taking precedence in the rearing of the child should be submitted;
3. If the sender is the adoptee's guardian as the adoptee's own parents are entirely unable to enter into legal transactions, a certificate of guardianship, as well as documents on the inability of the adoptee's own parents to enter into legal transactions and on the potential severe harm they may extend to the adoptee should be presented;
4. If the sender is the adoptee's guardian resulting from the death of the adoptee's parents, certificates on the death of the adoptee's parents, certificate of guardianship, and written consents on the adoption given by those who have the duty to support the child should be submitted;
5. If the sender is a social welfare institution, documents issued by the institution on how the abandoned infant or child was abandoned and found, and on the search of his or her own parents or other guardians should be submitted. If the adoptee is an orphan, the death certificate or adjudication of death of the adoptee's parents should be presented, together with written consent on the adoption by others who have the duty to rear the orphan;
6. The sender of a handicapped child should submit the child's disability certificate issued by hospitals at the county level and above.

**Article 7** When the sender is considered to have met the requirements stipulated in the Adoption Law, the adoption organ in China should send a report on both the family particulars of the sender and on the child being sent for adoption to the relevant foreign government or the relevant adoption organ entrusted by the foreign government. In the meantime, the adopter will be notified to come and adopt the child in China.

**Article 8** After reaffirming the adoptee, the foreign adopter should enter a written agreement with the sender.

After the written agreement is signed, parties with the adoptive relationship should personally go through necessary formalities of adoption registration with a civil affairs department under the local government in charge of the area of the adoptee's residential registration.

If the adopter is a couple, but one of the two is unable to come and complete the formalities in China for some reason, he or she can authorize the other through a letter of attorney. The letter of attorney should be notarized and attested.

Article 9 Registration of adoption requires both the adopter and the sender to provide the following documents and materials respectively.

Following are documents and materials that should be provided by the adopter:

1. The notification signed and issued by an adoption organ in China notifying the adopter to come to China for adoption;
2. Identity paper and photos of the adopter;
3. The written agreement reached between the adopter and the sender.

The following are documents and materials that should be provided by the sender:

1. The sender's personal identity paper and residence booklet, as well as photos of the adoptee;
2. Document sent by the adoption organ in China showing consent to the adoption.

Article 10 Upon examination and verification, organs in charge of adoption registration should issue an adoption registration certificate to an adopter who is considered to have met the requirements stipulated in Article 9 of these provisions within three days after it receives the adopter's application for adoption registration.

Article 11 After adoption registration is completed, parties with adoptive relationship should personally go through notarization formalities with a notary institution in charge of the same area as the adoption registration department.

Article 12 Notarization of adoption requires the following documents and materials from the adopter and the sender respectively:

1. Certificate of adoption registration;
2. Materials stipulated in Article 9 of these provisions.

Article 13 The notarization department should issue a notarization certificate to the adopter, who is considered to have met the requirements stipulated in Article 12 of these provisions, within three days after it receives the adopter's application for adoption notarization, and inform the relevant adoption organ in China of the notarization.

Article 14 Before the adoptee leaves China, the adopter should bring both adoption registration and notarization certificates and go through exit formalities for the adoptee with local public security organs in charge of the area of the adopter's residence.

Article 15 Adoption organs in China should take proper care of the archives concerning parties of adoptive relationship.

Article 16 Adoption organs in China are subject to supervision by the judicial and civil affairs departments under the State Council.

Article 17 Foreigners who adopt children in China are required to pay registration and notarization charges to organs in charge of adoption registration and notarization. Standard charges for adoption registration and notarization, as well as their management procedures, are to be stipulated by state price control departments and the Ministry of Finance.

Adoption organs in China are allowed to charge for their services. Standard service charges are to be fixed by state price control departments and the Ministry of Finance.

Upon mutual agreement, the adopter and the sender can jointly undertake the adoptee's cost of upbringing. The cost of upbringing an adopter pays to a social welfare department is earmarked for improving the facilities of welfare institutions and therefore cannot be diverted to any other purposes.

Article 18 These provisions will come into force upon promulgation.

## Science & Technology

### Li Peng Greets Nuclear Power Plant's Operation

OW0712173893 Beijing XINHUA Domestic Service in Chinese 1629 GMT 28 Nov 93

[By reporter Li Nanling (2621 0589 3781)]

[Text] Shenzhen, 28 Nov (XINHUA)—Premier Li Peng of the State Council today sent a cable to the Guangdong Daya Bay nuclear power plant to congratulate its successful full-capacity trial operation of its No. 1 generator unit.

The message reads: I was pleased to learn that the No. 1 generator unit at the Guangdong Daya Bay nuclear power plant attained the full capacity of its designed capacity of 900,000 kw in its trial run. The result is due to the long-term efforts of both Chinese and foreign nuclear power workers, and it represents the scaling of a new height by China's nuclear power industry. I hereby want to express my warm congratulations to all. It is hoped that you will continue to work ceaselessly and unremittingly and make new contributions to the successful completion of the entire trial operation.

The No. 1 generator unit at the Guangdong Daya nuclear power plant, after conducting power generation trials since 31 August, attained full capacity at 2236 [Beijing time] on 27 November.

The No. 1 generator unit will start commercial production following a period of a number of tests which will be carried out during full-capacity and exhibition operations.

### 'Enormous Progress' Made in Technological Trade

OW0712110693 Beijing XINHUA in English 1034  
GMT 7 Dec 93

[Text] Beijing, December 7 (XINHUA)—China has made enormous progress in technology trade since the country launched the reform and open policies in the late 1970s.

To date, China has imported more than 4,000 items of technology valued at over 25 billion U.S. dollars and exported more than 1,100 items worth 3.4 billion U.S. dollars.

Zhao Chunhua, deputy director of the Department of Science and Technology under the Ministry of Foreign Trade and Economic Cooperation, said that technological trade has played an important role both in domestic economic development and in economic cooperation with other countries in the world.

"The government regards technology trade as a part of the opening strategy," he noted.

He said the imports include technology licenses, consultation and technical services, cooperative production and complete sets of equipment as well as key equipment.

According to the deputy director, China has adopted the following policies with regard to technology imports and exports:

—To abide by international practice to protect the intellectual property rights.

—To conduct technology trade through multiple channels and in more flexible ways.

Zhao mentioned that exporting ripe industrial technology is encouraged as much as the import of design, technical processes and production management.

—To speed up cooperation and exchanges with not only developed but also developing nations.

—To raise fund for technology trade in a more flexible manner, including borrowing from international financial institutions, increasing state appropriations and providing low-interest loans for major state import projects and providing buyer's and seller's credit.

—To practice preferential tax policy in technology trade.

—To reform the technology trade management system, giving more autonomy to enterprises handling technology trade.

To replace the centrally planned system, the official said, the state government has introduced "two-tier" management system, giving more autonomy to local governments in importing technology.

The new management system incorporates the planning control conducted by the state national planning commission, the contract control by the Ministry of Foreign Trade and Economic Exchange, and other administrations ranging from taxation and information exchanges to goods examination and customs.

According to Zhao, provincial governments now are empowered to approve foreign-funded technological projects involving less than five million U.S. dollars.

Over the past decade, a sound legal system for technology trade has been taking shape in China, he said.

### **Beijing To Double Efforts in Technical Innovation**

*OW0912122593 Beijing XINHUA in English 1122  
GMT 9 Dec 93*

[Text] Beijing, December 9 (XINHUA)—China will double its efforts in technical innovation next year, with investments in the field scheduled to [as received] 250 billion yuan (about 43 billion U.S. Dollars).

This plan was recently announced at a national economic and trade conference by a high-ranking official, who said it was "the continuation of rapid investment increases made over the past three years."

Experts here believe the vast investments are aimed at breakthroughs in "high, sophisticated and advanced technology" following major technical progress made since the mid-1980s.

The latest statistics show that 468 billion yuan (about 80 billion dollars) was earmarked for technical improvements in the past three years, exceeding the total of the five years from 1986- 90.

The State Economic and Trade Commission (SETC) said that between 1991 and 1993, special loans were granted to 62 projects to develop "new and high-quality products, export-oriented products and goods that save energy."

A remarkable number of projects involving major adjustments in China's product structure were also financed to ensure their early operations and efficiency, the commission said.

During this period, for example, China revamped 44 out of 86 home-made power generators, with a capacity of 200,000 kilowatts each, to upgrade their efficiency.

Switchboards with 14.6 million lines in total were added to China's urban telephone networks to facilitate communications. From 1985 to 1990, only 30 million lines were installed.

China has endeavored to "introduce, digest and absorb" technology and made big strides in the localization of digital machine tools, sophisticated medical equipment, new spinning and weaving machines and other advanced equipment.

SETC said the capacity to produce 6,000 digital machine tools, 1.5 million key video components and 3,000 medium to high-grade B ultrasonic units will be realized within the next two years.

These goals were set to meet the demand of the development of the national economy and the restructuring of China's products and industries, SETC added.

In order to convert advanced technology into improved productivity quickly, China carried out 36 major projects on technical development, 108 projects on popularizing new technology and 54 projects on significant industrial experiments and trial production of new products at the state-level.

The technical development projects are expected to be completed next year, SETC said, and added that some products and technology are near to or at international levels.

China has tried to incorporate scientific research and development with production. The government adopted preferential policies to help big enterprises and enterprise groups set up 40 technology centers across the country.

At the same time, localities have also been encouraged to build their own technology centers to strengthen enterprises' technological development.

SETC, together with the State Education Commission and the Chinese Academy of Sciences, launched a campaign to forge closer links between enterprises, scientific units and institutions of higher learning. Seven projects on commercialization of advanced technology have already been completed.

The commission said special emphasis will be placed on rationalizing technological equipment, updating technology and upgrading new products.

### **Pollution Has 'Worsened' in Some Areas**

*HK0812125193 Beijing CHINA DAILY in English 8  
Dec 93 p 3*

[By staff reporter Zhu Baoxia: "Pollution Is Worse in Some Areas of Country"]

[Text] Environmental pollution has worsened in some parts of the country.

The situation has occurred because of relaxed enforcement of State laws and regulations on environmental protection.

The findings are from a recent national inspection on environmental law enforcement by the State Environmental Protection Agency (SEPA).

The investigation determined that many local policy makers sacrifice their environment for the sake of economic profit.

Local governments must further tighten supervision over implementation of environmental laws and regulations and crack down on illegal conduct that endangers the environment, according to SEPA official Hu Baolin.

Hu said his bureau will continue its publicity campaigns to raise environmental awareness across the nation, especially that of leaders at various levels.

The agency will map out some new regulations and revise old ones in accord with changed economic and social situations.

It hopes the central and local governments will increase their budgets for environmental work.

SEPA, jointly with the environmental protection committees under the State Council and the National People's Congress (NPC), just concluded a four-month environmental inspection in seven provinces and regions.

They include Heilongjiang, Shandong, Yunnan, Guangdong, Anhui and Jiangsu provinces and Xinjiang Uygur Autonomous Region.

It is the first phase of a nation-wide environmental law enforcement inspection. The whole programme will take two years.

This year's inspection focused on the enforcement of State laws on environmental protection and wild life preservation.

The inspection discovered that a contract responsibility system has been introduced in many provinces to protect the environment. And environmental protection work has been included in provincial social and economic development programmes.

The seven regions have altogether promulgated some 50 local regulations on environmental issues.

Yet, some local leaders have neglected environmental problems while pursuing profits.

Lunan County in Yunnan Province, for example, constructed a cement plant in the State "Stone Forest" scenic area.

And a vice-governor of Dali Prefecture decided, without authorization, to stop collecting pollution charges from local industrial enterprises for three years.

Jixi Iron and Steel Company in Heilongjiang Province, which is the biggest pollutant in the city, did not complete its pollution treatment projects on time and refused to hand over a fine of 10,000 yuan (about \$1,724).

In Hangzhou, capital city of Zhejiang Province, about 80 percent of the 56 enterprises inspected discharge untreated pollutants into the environment.

Meanwhile, some harmful wastes have been imported into the country.

Some small township enterprises, closed in the past by the State for contaminating the environment, have re-emerged in some places.

## Military

### State Council Circular on War 'Preparedness'

HK0812143493 Hong Kong CHENG MING in Chinese No 194, 1 Dec 93 pp 19-20

[By Chuan Hsun-che (0278 6061 5074): "Central Military Commission's Most Confidential Document Plans Work for Preparedness Against War"]

### [Text]State Council and the Central Military Commission Issued Circular on War Preparedness

Since the disintegration of the former Soviet Union and the Eastern European countries, the Cold War between the East and the West has ended and various countries have made positive efforts to seek peace. However, China, the big power in the East, has acted in a diametrically opposite way and has been making arrangements for war preparedness.

The State Council and the Central Military Commission issued a circular entitled: "Decision on War Preparedness and Requisitioning Civil Aircraft in Cases of Emergencies." It has been reported that the circular belongs to class-two most confidential documents under reference No. 93092.

The circular was transmitted to the leading and commanding departments, controlling stations for major aviation regions, members of the party committee standing committee of the Civil Aviation Administration of China [CAAC], the Air Force, and members of party committees of the Air Force in various military regions, which are subordinate to the State Council and the Central Military Commission.

### Five Degrees of Combat Readiness

The circular stipulates that the State Council and the Central Military Commission hereby authorize: The commanding departments and leading groups to take charge of implementing this circular, making overall arrangements and issuing orders with full power; the CAAC to provide assistance to the arrangements and transfers; and the various controlling stations of the major aviation regions to enforce military control.

According to the circular, the combat readiness is classified specifically into the following five degrees:

1. Special-degree combat readiness, to be applied to special-degree emergency events during special-degree emergency periods.
2. First-degree combat readiness, to be applied to first-degree emergency events during first-degree emergency periods.
3. Second-degree combat readiness, to be applied to second-degree emergency events during second-degree emergency period.
4. Third-degree combat readiness, to be applied to third-degree emergency events during third-degree emergency periods.
5. Partial and temporary combat readiness, to be applied to temporary emergency events during temporary emergency periods.

The circular stipulates that during an emergency declared by the central authorities, the civil airline companies, which must be ready to be taken over for use, include China Southwest Airline Company, Northern China Airline Company, China Oriental Airline Company, China Northwest Airline Company, and other airlines at provincial and city levels.

#### **Domestic Airplanes Should Stop Flying Within One Hour During Special-Degree Combat Readiness**

It has been learned that the circular issued by the State Council and the Central Military Commission was formulated in accordance with a plan worked out by the General Staff Headquarters and the Command of the Air Force, under the authorization of the Central Military Commission, in spring this year. The "93708" Plan (meaning the plan finalized on 8 July 1993) made by the General Staff Headquarters and the Command of the Air Force contains the following stipulations: After the central authorities issue a circular declaring that the country is under special-degree emergency for special-degree combat readiness, all domestic airplanes must stop flying or land at designated airports within one hour and 100 civil aircraft, including 50 Boeing 747, 757, 767, and 707; 20 MD-82 and MD-11; 10 TV-154M; 5 Airbuses; and other standby aircraft must be on the alert for orders within two hours. After receiving a circular declaring first-degree emergency for first-degree combat readiness, all domestic air flights must be suspended and landing must be made at designated airports within two hours and 80 civil airplanes, including 40 Boeing 747, 757, 767, and 707; 20 MD-82 and MD11; 10 TV-154M; and other standby aircraft must be ready to receive orders within three hours.

#### **During Periods of Combat Readiness, International Aircraft Must Land Under Escort**

After the central authorities declare that the country is under second-degree emergency for second-degree combat readiness, all domestic air flights must be suspended, landing must be made at designated airports within three hours, and 60 civil aircraft including 30

Boeing 747, 757, 767, and 707; 10 MD-82 and MD-11; 10 TV-154M; and other standby aircraft must be ready to receive orders within four hours.

After the central authorities declare that the country is under special-degree emergency for special-degree combat readiness, first-degree emergency for first-degree combat readiness, or second-degree emergency for second-degree combat readiness, all international aircraft entering Chinese airspace must land at designated airports under escort by the pertinent departments.

When the central authorities declare that the country is under third-degree emergency for third-degree combat readiness, or partial and temporary emergency for partial and temporary combat readiness, action must be taken according to the "90126" Plan.

From the abovementioned document, people can perceive the general mood of the CPC, which is still in a constant state of anxiety in peacetime. Who are its imaginary enemies—the United States, Taiwan, or its own people?

#### **Army Paper Commentator on Studying Deng's Works**

HK0912030093 Beijing JIEFANGJUN BAO in Chinese  
2 Dec 93 p 1

[Commentator's article: "Link Theory With Reality, Study for the Purpose of Application"]

[Text] To study Volume 3 of the *Selected Works of Deng Xiaoping [Selected Works]*, it is necessary to carry forward the Marxist study style of integrating theory with reality which our party has always advocated. All comrades in the armed forces, particularly leading cadres at various levels, should, in accordance with the decision by the party Central Committee and the General Political Department circular, link theory with reality, study for the purpose of application, and strive to study deeper and apply in better ways.

Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics has two distinctive features: One is its scientific nature. This theory reflects the objective law in the socialist modernization of China, has realized the second historical leap in integrating Marxism with China's reality, and is China's contemporary living Marxism. The other feature is its nature of practice. This theory has originated from the great practice of reform and construction carried out by the Chinese people and is the guide for us to victoriously push forward the reform and construction. Precisely because of this, at no time should the study of the *Selected Works* and the understanding of the true meaning of the theory of building socialism with Chinese characteristics be divorced from profound thinking in light of reality or from serious practice under theoretical guidance. Only by closely integrating this theory with the reality of the reform and construction of the state and the

armed forces can we really understand it, turn it into a powerful ideological weapon for transforming the subjective and objective world, and converting it into tremendous material strength.

The course of studying the *Selected Works* should be one of close integration with reality. Special attention should be paid to at least two aspects: One is the integration with the great practice and achievement of the 15 years' of reform and opening up to the outside world and we should see how the main ideological viewpoints of these brilliant works by Comrade Deng Xiaoping were produced and formed, in the practice of reform and construction, and how they effectively guide and promote the great practice of reform and construction. In this way the correctness and the spiritual essence of the theory of building socialism with Chinese characteristics can be thoroughly understood. The second aspect is the integration with our own ideological reality during these years. We should think of the course of our ideological changes in different periods and toward different questions, see how we thought in the beginning and later gained a better understanding, sum up by this means our experience and lessons, find out the laws governing such changes and, thereby, further emancipate the minds and change ideas so that this theory, and the principles and policies formulated under its guidance, can strike roots in our consciousness.

The entire purpose of study lies in application. In the final analysis, the result of studying the *Selected Works* is determined by the depth and width of the integration of theory with reality and by the specific result of applying the theory to the transformation of the subjective and the objective worlds. Therefore, the purpose of our study is to earnestly infuse the theory of building socialism with Chinese characteristics into our work and our minds. This means the theory of building socialism with Chinese characteristics should really be used to give general guidance to our work and to seek unity in our thinking.

Many articles in the *Selected Works* are specific expositions on army building. These important documents are creative applications and developments of Mao Zedong's military thinking in a new situation and are fundamental guidance for the revolution, modernization, and regularization of our armed forces. We must repeatedly study and understand them and earnestly apply them to the practice of giving guidance to army building. For example, in military work, we must earnestly put education and training in a strategic position, strengthen the study of knowledge of new science and high technology and of modern warfare; strengthen research on new technology, especially the characteristics and laws of limited wars fought under high-tech conditions; and constantly strengthen our confidence in winning a war with our existing equipment. In political work, we should continue to study new situations and new questions in developing the socialist market economy; carry forward the fine tradition of our party and armed forces; strive to nurture new people with

ideals, morality, culture, and a sense of discipline; guarantee the party's absolute leadership over the armed forces; and ensure the fulfillment of various missions of the armed forces. In logistics work, we should strive to keep in line with the new situation of the development of the socialist market economy, create favorable material conditions for strengthening army building, and constantly strengthen the maintenance and supply capacity for a modern war. In scientific research on national defense, war industries, and other aspects we should, in light of our own situation, be good in applying Comrade Deng Xiaoping's theory and creatively do a good job in our work.

The theory of building socialism with Chinese characteristics has pointed out the correct direction for us to strengthen the transformation of the world outlook in the new historical period. The core of the world outlook is the outlook on life and comprises the ideals, faith, and pursuits of men. The most important thing in strengthening the transformation of our world outlook is to strengthen our faith in socialism, to have full confidence in the unquestionable success of taking the road of building socialism with Chinese characteristics, and to conscientiously struggle for, and make contributions to, building socialism with Chinese characteristics. A scientific world outlook is based on the theory of dialectic materialism and "emancipating the mind and seeking truth from facts" are the essence of this theory. Therefore, firmly establishing the ideological line of "emancipating the mind and seeking truth from facts" is the key to transforming the world outlook of communists. At present, leading cadres at all levels should also regard opposing corruption and encouraging honesty as an important task in transforming the world outlook. In short, all officers and soldiers in the armed forces should take as standard the requirement for new people to "have ideals, morality, culture, and a sense of discipline" and strive to mold and temper themselves in practice in order to keep themselves in line with these great times.

As the outstanding contemporary Marxist, and the chief architect of the modernization of the state and the armed forces, Comrade Deng Xiaoping has not only given us the theory of building socialism with Chinese characteristics, the latest fruit of Marxism, but has also set a brilliant example in linking theory with reality. His theory and practice have enlightened us that we must regard giving guidance to practice as the purpose of studying theory and we must use scientific theory as guidance in practice. In the course of studying the *Selected Works* we should seriously and conscientiously integrate theory with reality, apply what we have learned, and constantly increase our understanding of theory. At the same time, constantly increasing our ability and raising our level in using theory to give guidance to practice should be the scientific attitude for study and the spirit of practice which we always uphold.

### 'Military-Turned-Civilian Enterprise' Output Value Up

*HK0812134093 Beijing ZHONGGUO XINWEN SHE in English 0815 GMT 8 Dec 93*

[Text] Beijing, December 8 (CNS)—The output value of military-turned-civilian enterprises in China has seen an annual progressive increase of 20 percent on average since such arrangements were initiated 15 years ago. Products produced by these enterprises cover more than 20 professions and sectors with exports going to more than 30 countries in five continents. The output value of non-military items turned out in military industrial enterprises made up more than 70 percent of the total in 1992.

Non-military goods including cameras and motorcycles produced by such enterprises account for the greater proportion while good and clothing have also made good achievements. Nuclear radiation technology is being employed in the cultivation of 325 new species of farming produce, resulting in an increased yield of four billion kilogrammes of grains and 200 million kilogrammes of cotton per year. Shipyards which were formerly turning out naval craft are now building freighters while arsenal factories have been converted to producing 200-metre-long chimney stacks for the Baogang Steel Plant and structural steel pieces for the Yangpu Bridge. Satellites for civilian purposes, the Qinshan nuclear power plant as well as the Daya Bay nuclear power plant have all involved the use of advanced technology created for national defence purposes. A huge computer produced by the University of Science and Technology for National Defence has gone to the National Meteorological Bureau. Joint production of aircraft between China's military industry and the U.S. McDonnell Douglas Company has turned out large passenger aircraft for export to America.

An international exhibition held in Hong Kong last July displayed the peaceful use of military technology. A great variety of products were displayed by the Chinese delegation and sales during the seven days of the exhibition amounted to U.S.\$2.5 billion.

### Army To Reduce Business Activity 'To Curb Corruption'

*HK0912040093 Hong Kong SOUTH CHINA MORNING POST in English 9 Dec 93 pp 1, 11*

[By Willy Wo-lap Lam]

[Text] The People's Liberation Army (PLA) has decided to pare down its business activities to curb corruption and unhealthy competition with the civilian sector. However, the curtailment is only limited and the Chinese Government has agreed to pay the army hefty compensation.

The military budget for next year is also tipped to go up as a result of the continuation of the PLA's aggressive modernisation programme.

Chinese sources said yesterday the Central Military Commission (CMC) had decided to curtail and consolidate commercial ventures run by PLA units below the level of military regions. Some companies will be absorbed by civilian administrations and business units, with the rest taken over by Army Enterprise Bureaus that will be set up by the seven military regions. The bureaus will ensure that army enterprises will not engage in questionable deals including smuggling.

Independently, the CMC has also decided to surrender to civilian control a number of army economic units, including mines and transport facilities.

The sources said negotiations for the containment of the PLA's business empire had been conducted in the autumn between Executive Vice-Premier Zhu Rongji and CMC Vice-Chairman Liu Huqing. They said the central Government had, at the initial stage, agreed to compensate the PLA by about four billion yuan (HK\$5.36 billion).

Western military analysts said, however, it was doubtful whether the move would significantly cut the army's commercial dealings. They said the bulk of PLA factories and business units were run by units above the level of military regions, such as the General Staff Department, the General Political Department, and the General Logistics Department. Departments that straddle the army and the central Government, particularly the Commission of Science Technology and Industry for National Defence, also own highly-diversified business ventures.

The analysts said many of the PLA's most lucrative business deals were launched through joint ventures or shell companies formed with civilian and foreign companies, and several of these concerns were registered in tax havens in the Pacific. Army business units reportedly raked in profits of 30 billion yuan last year.

Chinese economists said yesterday Beijing had made a "good beginning" in reining in PLA companies, which often gave the impression of operating outside the jurisdiction of the government, the legislature, and the courts. They said, however, the central government might have to pay more to persuade the PLA to further shrink its business activities.

Meanwhile, sources familiar with the PLA said the increase in the military budget for 1994 would at least be on a par with the 12.5 percent for this year.

In line with the movement towards a market economy, army units will, within the next one or two years, be stripped of the privilege of procuring raw materials, foodstuffs, and other supplies at hugely subsidised prices.

Western diplomats said as in recent years, much of the budget increase would be devoted to arms purchase. They said Beijing had kept up intensive negotiations with Moscow over buying a range of weapons. They

include new supplies of SU27 jet fighters and S300 missiles, earlier installments of which had satisfied the Chinese top brass.

Moreover, it is believed the PLA and the Russian Army are engaged in negotiations over the co-production on Chinese soil of advanced aircraft, including the MiG-31. Late last month, a delegation of Russian missile and aerospace experts reportedly visited Beijing to discuss the sale of hardware and the transfer of technology in these areas.

It is understood the Chinese are anxious to develop long-range missiles as well as improve their guidance systems. "Negotiations between the Chinese and the Russians have not been going too smoothly in the past year because Moscow wants the bulk of the payment to be made in foreign currency and Beijing still insists on barter trade," a source said. He added, however, that the momentum would pick up once the PLA had secured new funds either through budget allocations from the central government or profits made by its own enterprises.

### Economic & Agricultural

#### Li Tieying Stresses Coordinated Reforms

OW0812134393 Beijing XINHUA Domestic Service in Chinese 1144 GMT 7 Dec 93

[By reporters Zhang Jinsheng (1728 6930 0524) and Wang Haizheng (3769 3189 1767)]

[Text] Beijing, 7 Dec (XINHUA)—Li Tieying, member of the CPC Central Committee Political Bureau, state councillor, and minister in charge of the State Economic Restructuring Commission, pointed out today at a national conference on the reform of the economic structure: Reform in our country has entered a period in which we should storm heavily fortified positions [gai ge yi jing jin ru liao gong jian jie duan 2395 7245 1571 4842 6651 0354 0055 2396 1017 7132 3008]. While implementing the strategy of carrying out coordinated package reforms, we should seize opportunities to grasp crucial links and make breakthroughs in key areas. We should make vigorous efforts to carry out reforms whose certain conditions are ripe, which are vital to replacing old systems with new ones, and which have a rather important impact on the situation as a whole. We should stride forward and make breakthroughs in this regard. Although conditions for some reforms are not ripe for the time being, we should create conditions for pushing them forward. Otherwise, we could bungle the chance of winning a battle, prolong the transitional period, and eventually increase the risks and cost for reforms.

The three-day national conference on the reform of the economic structure ended today.

During the past three days, participants at the conference conscientiously studied and implemented the

guidelines laid down by the Third Plenary Session of the party's 14th Central Committee and discussed a program for implementing the overall plan of establishing a socialist market economic structure according to the central task set at a national economic work conference. The national conference on the reform of the economic structure made arrangements for the work of economic restructuring in 1994 and discussed questions concerning experiments with the establishment of a modern enterprise system.

At the conference, Li Tieying expounded how to correctly handle relations in 10 aspects—The acceleration of reform and development, the change of government functions and the change of enterprises' operation mechanisms, macroeconomic control and the allocation of resources, the initiative of the central and local authorities, giving priority to efficiency and stressing fairness, opening wider to the outside world and deepening reforms at home, urban and rural reforms, economic reform and reforms in science and technology and education, economic reform and legal norms, package reform and breakthroughs in key areas.

On package reform and breakthroughs in key areas, Li Tieying said: Reforms in the 1980's were mainly aimed at doing away with old systems or "dismantling the old houses." The main task we should carry out in reform now is to build new systems or "new large houses." Beginning now, we are to carry out deeper reforms as well as comprehensive and coordinated reforms rather than single ones, and we are to shift from focusing on efficiency brought about through individual reform measures to focusing on reform measures coordinated to form new and comprehensive economic relations. So we must persistently implement the strategy of carrying out coordinated package reforms. We should take coordination into account in making overall planning for reforms and work out reform measures from the point of a comprehensive view.

On strengthening leadership and coordination in reform and doing a good job in organizing and implementing major reforms next year, Li Tieying said: Reforms to be carried out next year cover many fields, and they are like an arduous, complicated system engineering project. The deeper and wider the reforms develop, the more difficult they will be, the greater their repercussions, and the heavier the task to reshape the pattern of rights and interests in relation to the various sides. So on the one hand, we must be fully confident in accomplishing next year's reform tasks and be determined without any vacillation to win the initial battle; on the other hand, we must be mentally prepared against difficulties and risks that may possibly arise. We must plan reforms in a scientific way, implement them carefully, and sum up our experiences in good time in order to avoid serious errors. In dealing with new problems, we should have a new understanding, new ideas, and new methods, and this is what represents the guidelines laid down by the Third Plenary Session of the party's 14th Central Committee. Now we should do the following things: 1) We

should truly grasp the guiding principles set by the party Central Committee for various reforms as well as the way of thinking, plans, and specific operating procedures laid down by it. If we were ignorant, we could not possibly make others aware of things. Only when we have a clear understanding of things will we be able to carefully organize and conscientiously implement reforms. 2) We should strengthen our coordination in carrying out package reforms. Economic restructuring organs at various levels should take the initiative in coordinating reforms. They should strengthen their ties with relevant departments and cooperate fully with and support one another in order to form a cohesive force for reform. The comprehensive character of reform calls for coordination in our work. With the deepening of reforms, the requirements for coordination will also continuously increase. This is also a characteristic of our future reforms. Therefore, we should encourage people to take the overall situation into account and prevent different departments from pursuing different policies or going their own way. 3) We should step up study and investigation as well our work in analysis and summing up experiences. In implementing plans, we should study relevant policies, promptly discover and report problems in the plans or problems which may be caused by the plans, and suggest policy measures for improvement. We should grasp major, difficult, hot, and deep-seated problems in economic life and study them as major hot problems in reform. 4) We should step up legislation and use laws to guide, promote, and ensure the smooth implementation of reforms. In coordinating with next year's major reforms, we should enact as soon as possible a corporation law, a securities law, a futures trading law, a bank law, a budget law, and other laws and regulations designed to standardize the market, maintain market order, and strengthen macroeconomic regulation and control.

**Li Tieying emphatically pointed out:** We should further step up our work in implementing reform plans and conducting experiments in this regard. While resolutely carrying out the reform plans laid down by the party Central Committee, we should boldly explore new ways and continue to effectively conduct experiments in various fields of work. 1) the state will experiment with a modern enterprise system; 2) in cities and areas with appropriate conditions, experiments will be conducted in carrying out comprehensive, coordinated reforms; and 3) the State Economic Restructuring Commission will designate a number of counties for experimenting with comprehensive reforms, which will be directed by the commission along with relevant provinces or autonomous regions. Those units to be selected for reform experimentation should act according to the orientation and principles set forth in the "decision" [of the Third Plenary Session of the party's 14th Central Committee], emancipate their minds, seek truth from facts, march ahead of others, make bold experiments, and gain new experiences in establishing new systems.

### Planning, Investment System Reforms, Goals Noted

OW0812141993 Beijing XINHUA in English 1330  
GMT 8 Dec 93

[Text] Beijing, December 8 (XINHUA)—The State Planning Commission today announced measures to reform China's planning system and goals for the reform of the investment system in the near future.

An important measure to reform the planning system is the further transformation of the functions of government planning and administration, while giving full scope to the role of planning in macro-economic controls, according to delegates attending a national conference on planning that closed here today.

A new planning system with medium- and long-term planning as the mainstay will be introduced nationwide to meet the needs of the market economy now being created.

Moreover, the State Planning Commission will concentrate on studying and formulating government policies regarding industrial development, and has vowed to make coordination of economic policies a success.

The commission plans to further cut back on mandatory quotas in production and circulation, and to establish a new system under which the government will order, store and supply goods. .

In 1994 manufactured goods subject to mandatory quotas imposed by the commission will account for about four percent of the country's industrial output value, a drop of 2.8 percentage points over 1993.

According to delegates, other measures to reform the planning system will include the cultivation of a market structure, and guiding and controlling market operation; changing the traditional national income statistics-gathering system; perfecting a new system for collecting, analyzing and releasing information concerning the state of the national economy, and a macro-economic monitoring and forecasting system; and bringing into full play the role of information in government planning.

A major goal for the reform of China's investment system is to change investment forms and give full scope to the role of the market in regulating investment, the delegates said.

Another goal is to establish a risk-based investment restraint mechanism under which enterprises will serve as the mainstay in investment, and will enjoy full authority in making their own investment decisions while assuming responsibility for risks arising from such investment.

Other goals are to perfect a new system under which the government will be able to indirectly regulate and control the total investment, and introduce an investment-related service system and a fair competition mechanism based on management by law.

Addressing the closing session of the conference, Vice-Premier Zou Jiahua urged planning departments at all levels to concentrate on speeding up the reform and ensuring the successful implementation of a series of major reform measures to be taken by the central authorities in order to achieve a "sustainable, rapid and healthy" growth of China's economy in 1994.

He also stressed the importance of taking effective measures to strengthen the agriculture sector as the foundation of the national economy, increase farmers' earnings and invigorate major state-owned businesses.

Planning departments must also strictly control the total investment scale, streamline the investment structure and increase investment returns, he told the delegates.

"We must also persist in guiding production in line with market demand and vigorously broaden both urban and rural markets," he said, noting that it is imperative to restrict price rises within the government-prescribed range.

### Tian Jiyun Says Economic Legislation To Speed Up

OW 0912164793 Beijing XINHUA in English 1450  
GMT 9 Dec 93

[Text] Beijing, December 9 (XINHUA)—A senior Chinese lawmaker pledged that the country will speed up its legislative process, especially economic legislation, in the next five years to ensure China's transition to a socialist market economy.

Tian Jiyun, vice-chairman of the Standing Committee of the National People's Congress (NPC), said today that legislation should meet the requirements of the country's reform and opening to the outside world, and the modernization drive.

Tian was speaking at a discussion meeting on the legislative work of the NPC Standing Committee here today.

The meeting was attended by 150 legislators, judges, procurators, officials from the State Council and departments concerned.

Tian also said that legislative work should conform to China's reality, with foreign legislative experience and successes "boldly" absorbed and learned from.

"In formulating laws governing the market economy, it can serve as a shortcut in our legislative process to incorporate items of foreign economic laws that are common in market economies," Tian noted.

Secretary-General of the NPC Standing Committee Cao Zhi said that 152 laws, of which 54 concern the economy, will be drafted and promulgated over the next five years.

The economic laws will focus on those governing the market structure, maintaining market order, ensuring macro-economic control and establishing a comprehensive social security system.

Also included in the five-year legislation plan is the promulgation of laws on the improvement of China's democratic and legal systems, on reform of government organizations and on penalties on crimes, Cao said.

The NPC Standing Committee will also "at an appropriate time" revise or abolish laws ill-adapted to the building of a socialist market economy, he said.

According to Cao, the goal of the legislative work of the Eighth NPC is the setting up of a legal framework for the socialist market economy. He explained:

- The laws governing market structure will include corporate, partnership, commercial banking and bankruptcy laws as well as laws on exclusive investment in enterprises and co-operative stock-issuing enterprises;
- The laws on maintaining market order will cover contracts, securities, insurance and real estate, invoices and advertising;
- Those on macro-economic control will embrace laws on the state budget, the central bank, pricing, state-owned assets, foreign currency regulations and the national debt;
- The laws on social welfare will include laws governing labor and social security.

Cao said other laws—on education, environmental protection, culture, and science and technology—are also in the making.

The 152 laws are being or will be drafted by the NPC Standing Committee or special committees or other state organizations under NPC authority. They include the State Council, the Supreme People's Court, the Supreme People's Procuratorate, the central bank and other departments concerned, according to the official.

### Finance Minister on Financial, Taxation Reform

OW 0812141893 Beijing XINHUA Domestic Service in Chinese 0914 GMT 5 Dec 93

[By RENMIN RIBAO reporter Li Jianxing (2621 1696 5281) and XINHUA reporter Ding Jianming (0002 1017 6900)]

[Text] Beijing, 5 Dec (XINHUA)—Minister of Finance Liu Zhongli stressed here today: The central task of next year's financial and taxation work is to ensure the timely implementation of various reforms and to achieve the expected goals. All localities must take the overall interests into account to guarantee the implementation of reform measures.

Addressing a national financial work conference which opened today, Liu Zhongli said: According to the central government's unified arrangements, reform of the taxation system, introduction of separate taxation systems, and reform in the profit distribution system of state-owned enterprises will be launched simultaneously at the beginning of next year. This is a key step in our country's reform of the economic structure following the Third Plenary Session of the 14th CPC Central Committee. This financial and taxation reform is focused on transformation of mechanisms and involves the interests of all sectors. Its large scale and extensive influence has been seldom seen since the founding of our country.

Liu Zhongli pointed out: The financial and taxation reform to be launched next year is an important component of the establishment of a socialist market economic structure and a major measure vital to the country's long-term stability and order and future economic development, as well as reform of the economic structure as a whole. It is also the central link of the five major reforms to be launched by the state next year. Financial departments at all levels must fully recognize the significance of this financial and taxation reform from the high plane of overall interests and strategy, conscientiously do a good job in every aspect, and regard financial and taxation reform as an important task needing special attention.

Liu Zhongli stressed: The key to success in next year's financial and taxation reform is to unify our understanding, action, and pace of reform. He pointed out: In mapping out the financial and taxation reform plan to be carried out soon, we have kept it in line with the basic requirements of a socialist market economic structure for financial and taxation management, used as references the approaches and experiences of countries where a socialist market economy has been practiced successfully, and taken into consideration China's actual situation and problems arising from the transition between new and old structures. We have standardized goals and modes and formulated concrete methods to be carried out step by step. Liu Zhongli said: All localities must carry out the three plans for financial and taxation reform, which have already been decided, without any bargaining. He emphasized: First, all localities must not resort to deceptive activities on base figures; second, to ensure the formation of financial and tax operational mechanisms no locality may the basic framework of various reforms while implementing reform measures; third, localities must be subordinate to the overall situation in dealing with the amount of tax revenues to be returned to local governments; fourth, all localities must vigorously promote the establishment of a payment transfer system; and fifth, all localities must as quickly as possible deal with the issue of establishing branch tax offices to ensure their normal operation after establishment.

Speaking on the 1994 state budget, Liu Zhongli stressed: Next year's economic environment will not be an easy one, so we should continue to adhere to the principle of

making tight budgetary arrangements. The guiding principle for drafting the budget is to comprehensively carry out the guidelines of the 14th CPC National Congress and the Third Plenary Session of the 14th CPC Central Committee. We must ensure smooth progress in the financial and taxation reform and in other major economic reforms while continuing to strengthen and improve macroeconomic control. We must vigorously develop sources of income to keep the increase in financial revenues in pace with economic growth. We must adjust the expenditure structure and cut back on non-productive expenditures in general and price subsidies to ensure investments in such key areas as infrastructure, national defense, agriculture, science and technology, and education, as well as necessary increases in funds for judicial, procuratorial, and public security organs.

Liu Zhongli said: To guarantee the accomplishment of next year's budget plan, we must integrate next year's financial and taxation work with financial and taxation reform, continue to carry out the central authorities' various measures for strengthening macroeconomic control, and strictly collect and manage tax revenues. We must improve regulations governing the issuance of state treasury bonds and ensure a success in issuing treasury bonds. We must conscientiously carry out various policies forwarded by the central government in reinforcing agriculture and rural work. We must control the total amount of expenditures and ensure funds for key areas. We must further strengthen the management of state-owned assets, accelerate construction of the legal system, and exercise strict control over the budget. At the same time, we must raise the professional competence of fiscal and taxation personnel and improve their work style.

#### **Officials Investigate Local Civil Affairs Work**

*OW0812142593 Beijing XINHUA Domestic Service in Chinese 2116 GMT 3 Dec 93*

[By reporter Chen Yan (7115 7159) and reporter trainee Teng Li (3326 4409)]

[Text] Beijing, 4 Dec (XINHUA)—How should civil affairs departments improve social security services in keeping with the socialist market economy? Bearing this question in mind, leaders from the Ministry of Civil Affairs have, since May, traveled to 30 provinces, autonomous regions, and municipalities directly under the central government to conduct investigations and studies. Civil affairs departments at all levels also have conducted such investigations and studies in light of local conditions. The current round of extensive investigative and study activities is the largest and most thoroughgoing ever launched by civil affairs departments in many years.

Last April, leaders from the Ministry of Civil Affairs designated 1993 as "Investigative and Study Year" for civil affairs work, during which they would mainly improve social security services for the new period to serve the goal of establishing a socialist market economic

structure. The ministry's leading party group decided to send fact-finding delegations to the grass roots, with ministerial leaders heading delegations in charge of general issues and department- or bureau-level leaders heading groups in charge of important special issues.

During investigations and studies, leaders at all levels from the Ministry of Civil Affairs went to rural and outlying areas to identify and solve problems. They pushed forward other fields of work through their investigations. Minister Doje Cering led a delegation to several provinces on many occasions, and they traveled as many as 10,000 km. While conducting investigations and studies, he said emphatically: We should stress tangible results in civil affairs work, adopt follow-up measures to solve the practical problems of people for whom civil affairs work is intended, and avoid ostentatious practices. Civil affairs cadres should display the spirit of "doing grueling legwork" to help people solve problems in every possible way. He stated: The spirit of "serving the people like a willing ox" is a very precious asset of civil affairs departments. We must preserve it carefully and carry it forward until it becomes the professional spirit and ethic of civil affairs departments nationwide. We should particularly promote this spirit in fostering a socialist market economy. Vice Ministers Yan Mingfu, Fan Baojun, and Yang Yanyin also led different delegations to various localities to conduct investigations. They visited rural families to inquire about poverty-related problems. They also visited many grass-roots units involved in civil affairs work. Their findings have provided a reliable basis for making future policies and policy decisions.

Civil affairs work faces many new thorny issues in the new situation. Civil affairs departments at all levels geared their investigations and studies primarily toward improving social security services in keeping with the socialist market economy. They solved existing problems and controversial issues in civil affairs work as the crucial aspect of this year's work. The Zhejiang Provincial Civil Affairs Department reviewed each of the levies imposed on peasants, took strong measures against the collection of unwarranted fees, and investigated responsible personnel if they failed to implement relevant measures. In trying to alleviate peasants' financial burdens, the Sichuan Provincial Civil Affairs Department arranged seven areas of related work—such as marriage registration, old-age social insurance in rural areas, and cash donations that promise rewards—in order of importance and urgency, and provided specific guidance.

Thus far, the Ministry of Civil Affairs has prepared special investigative reports on disaster relief, preferential benefits and pensions, resettlement of demobilized soldiers, material benefits for retired military cadres, housing and repatriation of vagrants and panhandlers in the cities, and social welfare and production. It is working out solutions to these problems in consultation with relevant departments.

### First Financial Information Network in Operation

OW0912122693 Beijing XINHUA in English 1125  
GMT 9 Dec 93

[Text] Beijing, December 9 (XINHUA)—Construction of phase one of China's first network for financial and economic information has been completed. The network has been put into operation after passing technical appraisal.

The Huading Network of Financial and Economic Information, founded by a Shenzhen company, now covers the eight cities of Shanghai, Shenzhen, Guangzhou, Haikou, Tianjin, Shenyang, Wuhan and Fuzhou.

By means of satellite facilities, the network provides mainly information on the stock markets, futures market, foreign exchanges, real estate, economic policy, enterprises, as well as domestic and international economic trends.

With the rapid development of the market economy, the network will help people get access to latest information in all these fields.

### Post-Reform Economic 'Fluctuations' Analyzed

HK0612070093 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 93 pp 15-26

[Article by Fan Gang (2868 4854), Zhang Shuguang (1728 2562 0342), and Wang Limin (3769 0448 3046) of the Economic Research Institute under the Chinese Academy of Social Sciences; an interim report of the Sino-U.S. cooperative study on "China's Macroeconomic Management and Economic Growth" funded by the Chinese Academy of Social Sciences and the Ford Foundation of the United States; written in September 1993; "Dual-Track Transition and 'Dual-Track Regulation and Control'—A Study of the Characteristics of Economic Fluctuations in China Since the Beginning of the Reforms (Part One)"]

[Text] A distinguishing feature of China's "gradual" reforms is that rather than shaking up many of the vested interests or fundamentally transforming the old system first, they have first developed a new system alongside (or on the "periphery" of) the old. This has inevitably given rise to a "dual-track" situation, which means that there will be a long period of "dual-track transition" before the reforms are finally completed. The essence of "gradual" reform is this long period of "dual-track transition." (Footnote 1) (The authors will analyze the special reasons for this mode of reform and its merits and demerits in comparison to other modes in a separate article.)

How to minimize instability is an important question in the transition from the traditional planned economy to the market economy. Since economic instability has its specific causes under different modes of reform, such instability also needs to be tackled differently under these modes. China has gone through three cyclical

economic fluctuations of varying degrees of severity since the beginning of reform and opening up. Since 1992, China has found itself in a new period of fluctuation as economic overheating has resumed. As the question of macroeconomic stability is being re-emphasized, we should promptly review, compare and analyze the three previous fluctuations. This will help us to understand the characteristics and problems of China's macroeconomic movement and work out better antifluctuation measures.

### **1. The Dividing of Fluctuation Cycles: Was the 1983-86 Period a Small Fluctuation?**

The first difficulty one encounters in the study of economic fluctuations is how to divide fluctuation cycles. The government may use one method for deciding on such divisions, but a different method may have to be adopted in academic research to illustrate a different point. Economists are currently using different methods to divide the years between 1978 and 1991. If we divide economic fluctuation cycles into the four stages of "recovery, high growth, retrenchment and stagnation" (rather than "peak—peak" or "trough—trough"), there are the following two methods of division: One method gives us two cycles, 1978-81 forming one cycle and the years after 1983 forming the other (Chen Yue [7115 6390] 1988; and Lu Jian [4151 1696], 1992). The other method divides the years into three periods, namely, 1978-82, 1983-86, and 1987-91 (Ma Jiantang [7456 1696 1016], 1990. Liu Shucheng [0491 2885 2052] divided these years into two periods, 1977-81 and 1982-86, and his study ended with the year 1986. See Liu Shucheng, 1989).

Here, the main question is whether or not 1983-86 can be regarded as a cyclical fluctuation. Seen in terms of annual growth rate, during this period, even the lowest annual GNP growth was 8.1 percent. Actually, the growth rate was over 10 percent in every year except for the low year of 1986, after which it immediately bounced back to 10.9 percent in 1987. Given the circumstances, can we still regard this period as a cyclical fluctuation, or at least a "small cyclical fluctuation"?

We have the following reasons to take this period as a fluctuation cycle:

First, the central government adopted a number of clear-cut measures of retrenchment in 1985 to contain the economy, which was already showing signs of overheating, and these measures began to yield results. While the government's high-growth policy may not have been the precondition which produced the "high-growth period" in the Chinese economy, its policy of retrenchment was definitely the deciding factor in bringing about the "period of retrenchment." Although the 1985-86 "retrenchment" did not last long, its cause was the same as that of other retrenchments.

Second, seen in terms of annual indicators, the cyclical fluctuation was not very obvious during this period. However, seen in terms of monthly indicators, the cycle

was already quite evident (see Table One). For nine months in 1986, the industrial growth rate was on the decline or at a low level (below 10 percent) compared with the corresponding periods of the year before, and it lingered in a "trough" (below 7 percent) for seven months. During this period, there was a notable drop in investment and a marked increase in inventories. These are distinguishing features of cyclical "retrenchment and stagnation."

Compared with other fluctuations in the Chinese economy, this fluctuation was shorter in duration, smaller in magnitude and faster in rebounding. The government was also less intense and determined in its retrenchment measures. While these characteristics will be further analyzed in Section 4, they undeniably lend support to the argument that this period can be viewed as a special cycle.

Thus, this article will be a comparative study of three rather than two economic fluctuations. For simplicity's sake, we will call them "Fluctuation one," "Fluctuation two" and "Fluctuation three."

### **2. An Analysis of the Causes of Fluctuation: Explaining the Major Factors of Economic Fluctuations in China**

The typical mode of economic fluctuations in China is as follows: Economic growth begins to pick up (recovery), gradually reaching the stage of "overheating" (high growth), until retrenchment becomes necessary due to inadequate resources and structural restrictions (recession), and readjustment has to be carried out (stagnation) before the economy enters another cycle. Obviously this kind of fluctuation has to be explained primarily by tracing the causes of "high growth" (this is different from the analysis of other economies where the focus is placed on finding out why "recession" takes place).

Whether or not economic growth is "too rapid" or "overheated" should be judged not by the direct level of growth rate but by whether or not high growth is accompanied by a shortage of commodities or by inflation. People (including the authors) have come up with a variety of possible causes for accelerated economic growth and "overheating." Through analysis, we have reached the following conclusions as to the major factors for explaining fluctuations:

First, "planners' impulse." All unrealistic high-growth plans, or the so-called "political reasons," (see Chen Yue 1988; Lu Jian 1992) fall into this category. This may be simply put as the "central authorities" factor. Unduly high growth targets set by the central authorities, whether they are embodied in "central plans" or just implied in "central calls" without specific embodiment in state plans, all play roles to varying degrees in the course of economic overheating and the resultant economic fluctuations. The Chinese economy is still a planned economy to a large extent and the state sector still accounts for nearly 50 percent of the total output value. Hence, the "central planned targets" factor still plays an important role in the macroeconomy, although

its importance is gradually diminishing. In a backward and developing country, it is particularly easy for people to develop the zest and impulse for "going all out in order to achieve quick progress." This may be seen as a general and natural factor. However, the theory of the planned economy assumes that because "the planners" are more well-informed and scientific in judgment than any other individuals in the economy, and do in fact make decisions regarding the running of the economy, they will not be susceptible to "blindness" in economic activities. Thus, we can assign the problems to "the planners" should fluctuations occur in a planned economy. A distinguishing feature of accelerated economic growth brought on by "planners' impulse" is that it is accompanied by an "expansion of investment," but not necessarily by an "expansion of consumption" (see Fan Gang et al, 1990, Chapters 5 and 6). From previous fluctuations brought on by "planners' impulse" (such as the 1958-62 cycle and the 1973-76 cycle), we can see that, while investment expands, personal income and social consumption are kept at a low level.

Second, "competition under soft constraints." This refers to economic competition between grass-roots units in the state sector of the economy, that is, competition between different departments, local governments and state-owned enterprises, with a view to securing more economic resources and increasing the productive capacity and income level of their departments, localities and units. It is different from market competition in the theoretical sense in the following ways: The competing parties all work under soft "budgetary constraints"; they compete for "publicly owned" resources (funds, goods and materials) which are jointly owned; whoever gets a head-start in obtaining and using these publicly owned resources will benefit as users, while as special "owners," they will not have to bear responsibility for the loss, wastage and depreciation of these resources. (In our article, "A Theoretical Outline of the Public Ownership Macroeconomy," this kind of competition is referred to as "brotherly competition" under conditions of public ownership.) A major difference between this kind of competition and market competition is that while cost, price and interest rates (the cost of capital use) and the market supply and demand relationships behind changes in these variables are important factors affecting people's economic behavior in a market economy, they have little or no effect on "competition under soft constraints." The pressure of this kind of "competition" in the state sector of the economy suggests that there is an endless "expansionist impulse" (or "thirst for investment" as Kornai put it) in every grass-roots unit in this kind of economy. Under the centralized planned economy where grass-roots units have no "autonomy" and everything has to be decided on or approved in a planned way by the central authorities, this expansionist impulse does not have an important role to play in the macroeconomy. However, after the decision to "delegate power to lower levels and allow them to retain a proportion of profits," that is, after the central authorities handed down autonomy to the local authorities and

enterprises, it played a more direct role and constituted a factor in deciding the trend of macroeconomic development. Economic overheating brought on by "competition under soft constraints" has two salient characteristics: First, it entails an "expansion of consumption" in addition to an "expansion of investment." The reason there is this "double expansion" is that "competition under soft constraints" can play a decisive role only when autonomy has been handed down to the grass-roots level to some extent, and this includes the handing down of autonomy in income distribution and in expenditure. Under conditions of state ownership, this will lead to the intensification of "wages eating into profits," "income distribution being slanted toward individuals" and "institutional consumption," which will result in the rapid expansion of consumption and become an important factor in the expansion of total demand and economic overheating. Second, it entails an "expansion of credit" in addition to an "expansion of financial outlays," with credit expansion gradually becoming the dominant feature. The reason for this is that under the decentralized system, the role of the financial administration will be greatly reduced and credit money will become a major avenue by which grass-roots units engage in competition under soft constraints.

The above analysis shows that "planners' impulse" and "competition under soft constraints," as factors that play a decisive role in macroeconomic operations, are both "structural factors" and operate under given structural conditions: Under the traditional planned structure, planners' impulse plays a bigger and more obvious role, while under the decentralized structure, "competition under soft constraints" plays a bigger role.

Third, agricultural harvests. People tend to get carried away and want to "go all out and aim high" after a bumper harvest, while a poor harvest often becomes an excuse to restrict economic growth or implement a policy of tightening up in industry. This factor played an important role in the early stage of China's economic development, but by the 1980s it could not be said to have been one of the decisive factors in fluctuations. Lu Jian correctly pointed out that "changes in the speed of industrial growth play the most decisive role in changes in the total output value of a society." (1992, p 126)

Fourth, "investment cycles," or cyclical fluctuations given rise to by the large-scale renewal of capital as referred to in the "classical theory of economic cycles." Strictly speaking, these have a role to play in all economies, and the Chinese economy is no exception. Upon more careful analysis, however, we will find that in our country it has been "great leaps forward" or "foreign leaps forward" induced by large-scale national investment programs ("planners' impulse"), or the rush to launch large numbers of new projects (such as the "development zone fever") due to competition between grass-roots units, rather than the cyclical renewal of capital that have decided fluctuations in investment in fixed assets. Further, it must also be pointed out that most people regard fluctuations in investment as a

"cause" of economic fluctuations (Ma Jiantang, 1990; Chen Yue, 1989; Chen Dongqi [7115 2639 3825], 1992; Liu Shucheng, 1989; Lu Jian, 1992). It seems that on this point they have their concepts mixed up. Investment demand is itself a part of total demand. Changes in investment demand form part of the changes in total demand; they are not the cause of an expansion of total demand. In studying the causes of economic fluctuations, it is important to study the causes of fluctuations in investment. Using fluctuations in investment to explain economic fluctuations cannot prove any point. "Investment" and "total volumes" are highly interrelated and this is very natural. Because investment forms an integral part of total demand and total supply, using their interrelationship to explain economic fluctuations is an argument that will just go round and round in circles. (Footnote 2) (Lu Jian also argued that "employment level" was yet another decisive factor in economic fluctuations [Lu Jian, 1992]. The problem is that changes in employment level are themselves induced by cyclical economic fluctuations, including investment fluctuations; it is not employment that causes the fluctuations. Like price levels, the employment level is a result or an indicator of fluctuations, not their cause.)

Fifth, consumption. Since consumption forms part of total supply and demand, we cannot, as some people do, use fluctuations in consumption to explain economic fluctuations, but must find out the causes of these fluctuations in consumption. Under the hypothetical condition that the entire national income is turned into personal income through distribution, fluctuations in consumption and fluctuations in total national income naturally should be explained by factors such as "the propensity to consume." However, under the condition that national income is divided into state income and personal income, the income distribution ratio (including the income tax rate) becomes the primary determining factor in consumption. Some people talk about "high consumption" without any reference to "high income" (including various forms of income in kind), and this is wrong. In our economy, with the exception of across-the-board "wage readjustments" (or the offering of "tax cuts" or "higher purchase prices" to peasants), changes in the ratio of income distribution are mainly due to the "handing down" or "taking back" of autonomy in terms of income distribution and expenditure. Thus, changes in consumption can be explained by the structural change factors analyzed above.

Sixth, foreign trade conditions (as well as foreign capital conditions and so on). These are some of the external conditions that give rise to fluctuations. Because our dependence on foreign trade has been greatly raised in the 1990s, changes in foreign trade conditions now have an important impact on economic fluctuations. This is unlike the situation in the 1980s when the ratio of dependence was low (and we were no longer totally dependent on Soviet aid) and when foreign trade could generally be regarded as a nonmajor factor.

Seventh, money supply and financial expenditure. Of course, changes in these will affect how the economy fluctuates. However, since these two factors are usually regarded as "policy variables" that are within government control, they reflect the first factor analyzed above, that is, "planner's impulse" in the Chinese economy and become means by which the "planner" or the "government" fights economic fluctuations (this will be explained in greater detail below). In our country, money remains, to some extent, the "passive money" of the traditional planned economy, with "credit following projects and cash following expenditure." It is not only subject to central planning, but is subject to investment and credit activities at the grass-roots level: "At the lower levels they issue white slips (or become party to 'debt chains'), and at the upper level they issue more money to meet the needs." Thus, in the 1980s, money supply in China was, to some extent, just an "indicator" of economic fluctuations, not the "cause." This was especially true during periods of high economic growth.

Based on the above analysis, we can concentrate on taking "planner's impulse" and "competition under soft constraints" as the major causes of economic fluctuations in China since the late 1970s. Of course these two factors cannot explain everything, but they can explain the overall situation, especially the impact of structural changes on economic fluctuations. This may be seen as the special perspective from which we are approaching the question of economic fluctuations. It is also the specific theoretical hypothesis which we will try to prove with our empirical-positivist analysis in this article.

### 3. Various Causes for High Economic Growth in Successive Fluctuations

#### 3.1—Fluctuation one: "Planning error type"

Fluctuation one was obviously different from the subsequent two fluctuations in that it was brought on by the "growth impulse" of the central planning authorities. It bears notable traits of the "planning error type" of economic fluctuations under the traditional centralized planned system, while the two later fluctuations bear obvious traits of economic fluctuations under the decentralized system.

The major cause of the 1978-82 cycle was the "foreign leap forward" plan (adopted at the Eighth National People's Congress in March 1978) formulated in response to the widespread demand in society and within the leadership hierarchy to speed up economic development and "make up for the economic losses brought about by the Cultural Revolution." At that time, the economic structural reforms had not yet started, and our economic system was basically still a highly centralized planned system. This characteristic of the economic fluctuation was not only manifested in the fact that in this fluctuation, as in previous economic fluctuations, accelerated economic growth was mainly induced by "investment expansion" without a corresponding "expansion" of consumption, and the rate of social

accumulation reached a high level; it was also, as in the past, manifested in the fact that heavy industry growth played a leading role. These were typical characteristics of economic fluctuations under the traditional system.

### 3.2—Fluctuation two: "Competition under soft constraints"

Unlike the fluctuation mentioned above, fluctuation two, which extended over the period 1983-86, and fluctuation three, which extended over the period 1987-91, both bear obvious traits of economic fluctuations under a decentralized system.

During 1984 and 1985, the decentralization reforms related to economic overheating included those in the following major areas:

1. Greater investment autonomy for local governments and enterprises. The system of "financial contracts" first introduced in 1980 was initially intended as a measure to "lift the millstone from the central authorities." In other words, it was aimed at reducing the financial burdens of the central authorities and fuelling the enthusiasm of local authorities to develop their economies and increase their income. Following the introduction of this system, the financial resources at the disposal of local governments steadily increased, and there emerged a trend whereby there were increases in both the proportion which income at the disposal of local authorities constituted in total financial revenue and in the actual income at the disposal of local authorities (see Table 2). Meanwhile, the practice of letting enterprises retain a proportion of their profits was also introduced that year. Subsequent to the two-step reform to replace profit delivery by taxation during 1983 and 1984, the proportion of profits to be retained by enterprises was increased and funds at the disposal of enterprises showed a marked growth. Under these circumstances, measures were taken to reform the planned management system in October 1984. It was stipulated that investment by local departments and enterprises with funds they raised themselves and construction projects made possible by foreign capital which these units borrowed and undertook to repay were to be subject only to "guidance plans." Local authorities were also given greater authority to examine and approve investment projects. The ceiling limit of investment they could decide on was increased from 10 million yuan to 30 million yuan. For nonproduction projects, no investment ceiling was imposed. These constituted the structural conditions for the rapid expansion of "self-determined investment" by the grass-roots units.

2. Autonomy in respect of bank credit. In 1984, the central bank system was formally established. Attempts were also made to abolish mandatory planning for credit and to carry out "indirect" macroeconomic regulation through monetary policies, as is the usual practice in market economies. As a first step, the "differential contract system" which allowed specialized banks to "accept more deposits and extend more credit" was

introduced. However, since steps had not been immediately taken to perfect the reserve fund system and specialized bank and central bank clearing was carried out through the same accounts, specialized banks were in a position to convert "exchange rate differences" into reserve funds. This resulted in the de facto open supply of funds. The implementation of the reserve fund system at that time was to help the central bank raise funds. This was necessary because specialized banks were more comfortably off. When it was announced at the end of 1984 that specialized banks were to fix the base figures for credit plans for the following year on the basis of their outstanding credit, this led to a situation where banks were "hawking credit" to enterprises, and this led to credit expansion.

What is more important is that after the handing down of autonomy for investment to the local authorities, the existence of a system of "local branches" of the central bank, as well as the unity of interests between the local branches of the central bank and specialized banks on the one hand and the interests of the local government and local enterprises on the other, led to the formation, under the decentralized system, of a special mechanism of "reverse push" with grass-roots units promoting credit and money supply (see Zhong Pengrong [6988 2590 2837], 1989; Fan Gang, 1991). The desire of local authorities and enterprises to expand investment was thus more easily satisfied than before. It is difficult to verify through concrete statistical figures (some statistical information simply cannot be obtained), how much of the increase in money supply was brought about under "reverse push" by local governments and local banks. However, the phenomenon can be seen from the above-quota credit and money issued "above quota" which occurred frequently following 1984 (see Table 3). It can also be measured indirectly by the increase in "debt chains" and the expanded scale of debts as local governments issued large numbers of "white slips" during periods of high economic growth and the central authorities had to issue more money to cash and convert these white slips. (We will be writing a separate article to analyze how the means of credit expand in the public-ownership economy.)

3. Autonomy in respect of distribution of income. From 1984 to the beginning of 1985, the "expansion of enterprise autonomy" and reform of the enterprise wage management system, apart from stipulating that enterprises could arrange some of the production and sales by themselves, also stipulated the handing down of autonomy in terms of "bonus distribution" and abolished "bonus limits." The enterprises could themselves, within certain limits, decide on wage readjustments and trial-implement a "linkage between wages and results." This led to a great increase in wages and bonuses. In the fourth quarter of 1985, the total volume of wages of state-owned enterprises grew 46 percent over the same period in the previous year. This also led to the so-called "loss of control over wages." In addition, because "expenditure" autonomy was handed down, various

types of "public consumption" also saw a great increase. Various types of nonproductive expenditure (some were included in "material consumption" costs and some were included in "management costs" or "other expenditure") also increased by a large amount. These were all important factors leading to consumption expansion.

The structural changes noted above on the one hand strengthened the production enthusiasm of enterprises and individuals, and improved the flexibility of enterprise operations, which was advantageous to improving production results. However, at the same time, they also led to "dual inflation" in both investment and consumption. This produced economic overheating and fluctuations. From the economic high-growth stage over the years 1984 and 1985, we can see that during economic fluctuations under a decentralized system, periods of high growth have the following characteristics which distinguish them from those under a centralized system:

First, investment and consumption see dual inflation. This is unlike under the traditional system where there is only investment inflation. In the two years 1984 and 1985, the level of consumption by residents grew by 11 percent and 13.2 percent respectively. These were the highest growth figures for the period 1949 to 1991. The rates of growth in total wages of staff and workers were respectively 21.3 percent and 22 percent, and these were the fastest speeds of growth seen, with the exception of 1988. Average real wages grew 14.8 percent in 1984, the fastest figure for the period 1953 to 1991. The total volume of retail sales grew 31.12 percent in 1985, the highest figure during the 1980s. (Source of data: *Statistical Yearbook of China*)

Second, in the process of investment growth, the growth in extrabudgetary investment is greatest. This factor is produced by an increase in the proportion of self-decided investment through funds raised by localities and enterprises, including their own funds and bank credit. In this, domestic credit as a proportion of total investment has, since the beginning of the reforms, seen a trend of gradual growth. (See Table 4)

Third, "credit inflation": In a period of high economic growth, money issue and the scale of credit greatly exceed the planning targets. (See Table 3) Seen from the growth of money in circulation and the credit situation, the rate of growth of the economy in a high-growth year is clearly higher than in other years. This can, to a certain degree, reflect the existing problems. (See Table 5)

### *3.3—Fluctuation three: The new developments of the decentralized system since 1987.*

Through the course of the 1983-86 fluctuation and the brief cutting back and readjustment in 1985 and 1986, some of the autonomy handed down was taken back. For example, in the banking system, the controls over "credit volume" were strengthened, and indirect regulation and control was reduced. Controls over the scale of investment were also implemented. Further, a "bonus tax" and other measures were instituted to hold down personal

income growth, and so on. However, in another respect, the decentralized system saw new development in the process of further "handing down power and allowing retention of profits."

First, in 1987, the "contract system" was implemented in an overall way in state-owned enterprises. By the end of 1987, 82 percent of medium-sized and large state-owned enterprises had implemented various types of contracted operation responsibility systems. The significance of the contract system in terms of income distribution lay in that it firmly fixed the amount of taxes and profits to be handed up (or the degree of increase), and a greater amount of increased profits could be retained by the enterprises. That is, the state further allowed enterprises to "retain profits." Seen from the operational mechanisms, the state further "handed down power" and, particularly in the early period of the implementation of the contract system, the contract contents were quite simple. In principle, as long as an enterprise could complete the tasks in terms of handing up profits and taxes and certain production tasks, the state would not further interfere with the operational activities of enterprises.

After the implementation of the "bonus tax" and other measures for controlling the growth of wages and bonuses, because the autonomy of enterprises in terms of expenditure was still expanding, there was the development of various types of actions for covertly increasing wages and bonuses. This was prominently manifested in the increase in the "provision of material goods," and the proportion of material goods in personal income gradually grew. Some surveys showed that wages in kind (not including low rent and such factors) as a proportion of gross income of staff and workers had grown by 1988 to one-third of the total. (See Zhao Renmwei [6392 0086 0251], 1989)

The economic management autonomy of localities was also further expanded. In particular, in the process by which coastal regions opened up, the autonomy of the coastal provinces in terms of investment and production plans was further expanded. The relationship between local governments and local banks became increasingly close, the central bank found it increasingly difficult to control money supply and credit quotas were frequently exceeded.

Following the handing down of autonomy in terms of production operations and expenditure, and after the implementation in 1985 of the dual-track pricing system, various types of "official profiteering" activities daily increased, and the problem of corruption among personnel at all levels of government and enterprises became increasingly prominent. This exacerbated social contradictions and increased consumer demand. Further, the plans to swiftly end the dual-track pricing system ("the rush price reform") greatly increased people's "inflation expectations," which led to the wild rise in consumer demand in 1988, which resulted in panic-purchasing.

All of these factors resulted in the economy, which had seen a temporary retrenchment in 1985 to 1986, swiftly entering a new round of overheating, which gave rise to a new round of economic fluctuation.

The economic overheating, the inflation and the "panic purchasing" in 1988 were actually the result of the gradual intensification of economic contradictions given rise to by the handing down of power and allowing the retention of profits in the state-owned economy following the "urban reforms" which began in 1984. The problem it exposed was actually as follows: As far as the public ownership economy is concerned, implementing a centralized planning system will ensure a relative stability on the macroeconomic level. (In the past, because of excessive "mistakes by planners," China's economy was not stable. However, the former Soviet Union and the countries of Eastern Europe were basically stable.) However, at the same time, because enterprises and individuals lack stimulation and lack vigor, productivity is quite low and may gradually decline. If a decentralized system is implemented, enterprises have the right to take their own decisions and have their own interests. There is thus quite great stimulation and productivity can see an increase. However, as restraints are lacking, instability on the macroeconomic level may increase.

Another problem which became increasingly prominent after 1987 was the "structural deterioration." The speed of development of processing industry greatly exceeded the speed of development of basic industries (from Table 1, we can see that the speed of development of light industry was basically always faster than the speed of development of heavy industry after 1985), and energy and communications development was seriously lagging. This was the result of sustained overheating of the economy, and not the cause of it. Further, the most important thing is that the growth of processing industry being faster than the growth of basic industries, apart from being influenced by the quite fast progress of price reform in the processing industries and the controls maintained on the prices of the products of basic sectors, was to a large degree the result of the implementation of a decentralized system: First, the decentralized system led to short-term activities by enterprises and localities, which led to a large volume of investment flowing to processing industries, where cycles are short and results are seen swiftly; second, the handing down of power and allowing the retention of profits resulted in the proportions of personal income and "group consumption" increasing. The speed of consumer demand growth was quite swift, and the consumer product market expanded swiftly, which resulted in the processing industry being able to maintain a quite high profit rate; third, the central government continued to take responsibility for the building of basic industries, and power was not handed down in these areas. However, because the proportion which financial income constituted in national income saw a decline and there were financial expenditure increases in other areas, the investment funds were pushed into other sectors, and this resulted in a relative reduction in investment in energy, communications and such sectors. In brief, the "structural deterioration" which occurred at the end of the 1980s was not, or at

least was not mainly, a problem of "industrial policies." Rather, it was a problem given rise to by changes in the economic structure following the handing down of power and allowing the retention of profits. The more serious the structural problems, the more likely economic growth is to suffer the restrictions of "bottlenecks" and the faster is one likely to enter an "overheated" situation. (The term "overheated" is used as a concept relative to current possible "production capacity," and is not an absolute concept of a specific speed of economic growth. See Fan Gang [2868 4854] et al., 1990, Chapter 21) This is also an extremely important element in explaining the economic phenomena since 1992.

#### 4. "Retrenchment" and "Regulation and Control"

##### 4.1—*Retrenchment and its major measures.*

Economic fluctuations are formed by the interplay of periods of high growth and recessions. In the public ownership system, the characteristics of "recession" are: 1) It is not the starting point of a fluctuation, but part of the process of a fluctuation as it moves toward a conclusion; 2) Recession is not manifested as a process which forms spontaneously in the economy. Rather, it is the result of retrenchment policies implemented by the government.

4.1.1—Retrenchment cannot be manifested as a process which spontaneously occurs from bottom to top in the economy. Economic overheating which occurs under the centralized planning system is given rise to by economic plans and policies formulated by the government, and it can only be ended through "self-correction" by the planners and the implementation of economic retrenchment. However, under decentralized conditions, the spontaneous activities of the economy are manifested as "competition under soft restraints." Such competition can only give rise to unlimited spontaneous "inflation," and cannot spontaneously correct it. This is because none of those who participate in competition at this time are subject to coercive restraints within the economy. This is not to say that under a decentralized system, after the economy experiences overheating, there will not be produced within the economy any demand for retrenchment. In the process by which the economy overheats, inflation is aggravated, the situation of resource shortage becomes serious, and the economic structure deteriorates. This is a disadvantageous environment for all sides who participate in competition. Thus, within the economy there will naturally be produced the demand for the cooling of the economy. However, under set competitive relationships, every region, department and enterprise proceeds from its own interests, and they will demand the cutting back of other departments, other enterprises and other regions, but not of themselves. They will all consider that others are "overheated," but that they themselves are not "overheated." The result is that, initially, the calls for "retrenchment" are very loud, but no one is willing to voluntarily engage in that retrenchment. Finally, as the economic situation further deteriorates, "retrenchment" becomes the "public choice," providing the possibility for the government to implement "retrenchment and power recovery" policies.

**4.1.2**—Up to now, the retrenchment has mainly relied on direct controls. The history of the various fluctuations of our country during the 1980s clearly shows that as far as the state-owned economy is concerned, although the factors giving rise to high-speed economic growth in the periods before and after the reforms were different (the structural backgrounds which gave rise to the overheating were different), each time "regulation and control" and retrenchment was instituted following overheating, the effective retrenchment measures were the same: During the three fluctuations, regulation, control and retrenchment mainly relied on administrative measures and the implementation of direct controls (including the direct control of production and investment and the direct control of credit), and not on the use of market measures to implement "indirect regulation" of economic variables (regulation through money and financial policies). However, the basic reasons lie in the following: Under conditions of soft budgetary restraints, without sufficient changes in the economic variables to change the basic operational modes of economic entities, the only option is to rely on administrative measures to control them. That is to say, there is a need to implement various types of direct controls. In fact, as the state-owned economy still relies on its administrative structure to carry out management, it naturally in many respects has no option but to rely on administrative measures to implement controls.

Up to the present, in the retrenchment policies, the two direct control measures which play the main role are: 1) The cutting back of investment. This is referred to as a direct "planned regulation and control" measure. 2) The cutting back of the scale of credit. This is referred to as a "direct financial regulation and control" measure. (Apart from these, there are also some other measures, such as directly cutting back and controlling "group consumption," controlling wage increases and other measures for controlling income. However, as the effectiveness of these measures is limited, they do not play major roles in the retrenchment process.) To sum up, during the process of reform, China's macroeconomic regulation and control has gone through a change from where planned regulation and control and fiscal regulation and control played the main part to where financial and money regulation and control plays the main part. However, direct planning (administrative) controls have continued to exist and, during the successive retrenchments, they have played an important role.

#### *4.2—The retrenchment in 1979-82: Direct cutting back on investment.*

At the beginning of the 1980s, basically there had been no changes in the traditional planning system. Economic fluctuation had been given rise to by the high growth in plans formulated by the central authorities, and in the retrenchment process the only option was to use administrative planning measures to cut back on capital construction and to reduce the fiscal deficit. In 1979 and 1980, the construction of over 400 medium-sized and large projects was stopped or postponed and in 1981 a further 22 major projects involving foreign funds were either stopped or postponed. It was thus that a clear reduction in the overall

scale of investment was achieved. Apart from this, in the arrangement of the annual production plans, there was also a reduction in growth rate targets. This was also, of course, helpful in cooling down the economy. The characteristic of the planned economy was that "funds moved with the projects," and financial and money policies did not have an independent role. Thus, over the retrenchment period 1979 to 1983, there was virtually no "financial regulation and control."

#### *4.3—The retrenchments in 1985 and 1989: Controlling credit and controlling investment.*

After the handing down of investment autonomy, the role of financial regulation and control started to expand. However, the practice after 1984 proved that the use of measures such as interest rates and reserve rates had not been effective in indirectly regulating and controlling credit and money, and that it was necessary to implement direct planned scale controls for credit.

In the retrenchment in 1985 the measures which played the major roles were as follows: The implementation of mandatory planning controls on the total volume of credit and fixed-asset credit issued by specialized banks; and no banks being allowed to issue credit outside the plans. At the same time, "administrative head responsibility systems" for controlling the scale of fixed-asset investment were introduced. It was stipulated that self-raised capital construction funds had to be deposited in the bank for over half a year before they could be used. Capital construction projects which originally did not come under the plans were all subject to unified planned management in terms of the overall scale of investment. It must be admitted that these measures saw quite swift results at that time. Total demand shrank, enterprises' stocks of finished products grew, and enterprise money funds and production funds were insufficient. This resulted, in the fourth quarter of 1985 and the first quarter of 1986, in the speed of industrial production seeing a sharp decline. The reason that retrenchment could not be sustained for long was that at that time the government was unwilling to see the economy truly "cooled" or to have people complaining about hardship. In the second quarter of 1986 the above-noted policy measures were relaxed, and the economy very swiftly rebounded.

In fluctuation 3, the retrenchment began in the fourth quarter of 1988. At the beginning, an "indirect regulatory and control" policy was adopted, involving measures to hold down consumption, including raising the interest rate on savings deposits and levying a consumption tax on some products. However, the effectiveness was not great. For the fourth quarter of 1988, the rate of growth of commodity retail sales remained high. That which really played a role was policies to cut back investment and control the scale of credit, which were implemented at the beginning of 1989. In this, the most important aspects were the various direct administrative control measures for cutting back investment, including mandatory plans stipulating the amount of investment to be cut back and specific projects to be stopped or postponed, as well as the sending out of fixed-asset

investment "inspection teams" and so on. Following the implementation of these measures, in April 1989 industrial productivity growth began to drop, and during the period from October until January 1990 it was in a trough. In 1989 nominal investment dropped 8 percent, while the actual scale of investment dropped about 25 percent. In the first half of 1990, investment was still constrained at a low level (the annual nominal investment growth was 7.5 percent). It was precisely because investment was controlled that it was possible to basically control total demand, which led to "market weakness." (Footnote 3) (Some people say, on the basis that the capital construction projects in some areas were not truly stopped, with some only being stopped for a short time and others continuing as before, that the administrative measures to control investment "did not work" and were ineffective. However, although projects which had already commenced were not completely stopped, newly planned and newly commenced projects were greatly reduced under these measures. Thus, overall, the scale of investment was controlled to a certain degree.)

Beginning in 1985, the main theme of the government's macroeconomic policies was actually to "control demand and cool the economy," and it adopted a series of regulatory and control measures to attain this goal. However, none of the attempts to achieve "indirect regulation and control," including the "guided credit planning" implemented in 1986-87, realized obvious results, and the economy continued to "inflate" and "overheat." It was only when administrative measures were adopted in order to implement direct controls and the scale of credit and scale of investment were directly controlled that the economy was, to a certain degree, "controlled." This demonstrates an important characteristic of macroeconomic activity of a decentralized public-ownership economy.

#### *4.4—Is controlling credit or controlling investment more effective?*

Since the latter part of the 1980s, because of the great reduction in mandatory planning in respect of production and sales, many people feel that now we should rely mainly on money policies to regulate and control the macroeconomy, and should use the management of credit and money as the "final sluice gate" for controlling the economy.

In the following sense, that idea is quite appropriate: If the government truly gives up planning control over production and investment, and regulation and control through money becomes the sole measure which can be used, then regardless of how effective it is, there will be nothing which is more effective. However, the various facts of the cyclical fluctuation in 1987-91 show that under the conditions of our country's state-owned economy at present, administrative planning control measures are still more effective macroeconomic regulation and control measures than money policies, and that the control of investment through plans is still the "final recourse" after other measures, including financial and monetary measures, have been tried and have been found to have no result or not good results. Regardless of

how people think that macroeconomic regulation and control measures under a market economy should be implemented and what they say we should adopt after we have established a market economy, under the current actual conditions, the above is the only option. The essence of this final "sluice gate" is the so-called "recovery of power." That is to say, some of the investment autonomy handed down should be abrogated or recovered, so as to reduce the degree of decentralization.

This can be proved by some facts gleaned from the fluctuation over the period 1987 to 1991:

Fact one: Beginning in 1987, the central government had begun to implement quite tight money policies and had even stipulated that quota management would be instituted for short-term re-credits. In the second half of the year, a "dual tightening policy" for credit and money was instituted and the legally stipulated reserve rate was raised from 10 percent to 12 percent. However, as measures were not adopted to control the growth of investment, the trend of economic overheating continued to increase, and both credit and money issue greatly exceeded the levels planned by the central authorities. (See Table 3) This was because under a decentralized system, the issuing of credit and money can to a large degree be "reverse pushed" by the local governments "linking up" with the local banks and jointly using various methods. At the same time, bank credit is only a purchasing power credit measure. Under a decentralized system, if there is a need, many other credit methods can be created. For example, in the latter half of 1988 there first appeared "external cash circulation" (at that time, the state banks had no option but to issue the extra cash needed "internally"), and direct fund-raising by enterprises and localities. At the end of 1988, the "external circulation" money as a proportion of the "internal circulation" credit balance had reached 8.3 percent. According to incomplete statistics, the value of government bonds, enterprise bonds, enterprise shares and other fund raising in society throughout the country had already reached 100 billion yuan. However, the ratio between M (cash money) and M1 (cash money plus the deposits of all enterprise and institutional units) was 47.8 percent. (In 1978, the ratio was 19.8 percent, while in 1987 it was 17.4 percent.) (See Zhong Mingrong [6988 2494 2837] and Wu Tonghu [0702 0681 5706], 1990) The "debt chains" among enterprises likewise are a "state-guaranteed" credit peculiar to state-owned enterprises. In the end, the legitimacy of these debts is "recognized retroactively" through additional "clearance of outstanding debt," and this leads to the issuing of credit and money in excess of the plans. (Footnote 4) (For example, in 1990, by the "injection of 50 billion yuan for clearing outstanding debts," 160 billion yuan in debt chains was cleared up. In the first half of 1991, debt chains reached 250 billion yuan. On the basis of "needing to inject one yuan to clear three yuan of debt," it was still necessary to inject 80 billion yuan. In 1990-91, the state banks injected about 170 billion yuan to clear outstanding debt.)

Fact two: The revival of the economy was basically determined by the relaxation of controls over the scale of investment (mainly investment in the state-owned

economy) and by the expansion of final demand given rise to by the expansion of investment. From the last half of 1989 to the first part of 1990, the focus in "kick-starting the market" was "relaxing the money market." This involved first expanding credit to commercial departments and then increasing credit for enterprise circulating funds. However, as soon as the market was kick-started, it declined again. The reason for this was that investment was still controlled and final demand did not expand. By the second half of 1990, the controls on investment were gradually being relaxed, which led to final demand expanding. It was thus that the economy was led out of the trough by investment only in 1991. The new round of high-speed growth which began in 1992 was also given rise to by the further expansion of localities' examination and approval powers over investment, and an increase in the speed of investment.

Seen from the efficiency results of macroeconomic management, there has been some development in the non-state-owned operations. However, they are still subject to "discrimination" in the bank financing sphere. Also, when controls over the scale of credit are implemented, they first hit the non-state-owned economy (Zhou Xiaohan, 1990), while the local governments and state-run enterprises suffer quite minor losses. However, the use of administrative measures to control investment mainly has effect only in the state-owned sector, and it does not hinder the continuous expansion of investment by economic operational entities like township and town enterprises, private companies and the three types of enterprises which are partly or wholly foreign-funded, for whom budgetary restrictions are quite strong and who will not obtain credit unless they can make money out of it.

To sum up, regardless of which method people think that we "should" use, or which indirect regulation and control measure they "hope" will be more effective, and regardless of which regulatory measure will be more effective after the market economy is truly formed, the harsh facts are still as follows: As far as the current situation of the decentralized public-ownership economy is concerned, recovery of power, administrative intervention and direct control of the scale of investment are still the most effective retrenchment measures and macroeconomic regulatory and control measures. As determined by its innate logic, the state-ownership economy needs to use administrative measures and direct-planning controls to maintain macroeconomic stability. If, under conditions where there has been no change in property rights relationships, we blindly hand down power, it will not be a way out, but rather we will end up going round in a "maze" where "handing down power leads to chaos and taking back power leads to stagnation." What it is necessary to stress is that when using direct administrative control measures, they must be

advantageous to the market mechanism and must not restrain the development of the market mechanism.

(The final part of this article will include: "Section 5: 1992-93: Facing a New Round of Fluctuation" and "Section 6: Current Thoughts on Measures for Macroeconomic Stability: 'Dual-track Regulation and Control'")

**Table 1—Speed of Growth of Industrial Production on a Monthly Basis (Percentage)**

Month	1984	1985	1986	1987
January	8.0	24.5	5.6	5.7
February	12.0	22.0	0.9	23.7
March	12.0	22.4	6.0	13.8
April	11.7	24.6	3.9	15.2
May	11.7	22.6	5.1	15.1
June	11.6	22.0	6.0	16.8
July	11.9	20.2	5.9	16.9
August	12.2	17.5	8.7	15.6
September	12.5	14.5	10.4	15.8
October	12.7	17.2	14.1	14.7
November	13.1	11.7	16.1	12.8
December	13.6	8.8	17.3	12.7

Data sources: *Chinese Industrial and Economic Statistical Data* for the respective years

**Table 2—Financial Income and Extrabudgetary Funds (Percentage)**

Year	Financial Income as Proportion of National Income	Local Financial Expenditure as Proportion of Total Expenditure	Extrabudgetary Fund as Proportion of Budgetary Funds
1979	31.9	52.1	42.4
1980	28.3	49.3	53.5
1981	25.8	49.2	59.1
1982	25.4	51.9	74.1
1983	25.6	51.8	79.8
1984	26.0	53.4	81.0
1985	26.1	55.5	83.3
1986	27.7	60.7	79.5
1987	24.2	60.5	89.7
1988	21.6	64.1	91.2
1989	22.2		94.8

Data sources: *China's Financial Statistics 1989* and *Statistical Yearbook of China 1990*

**Table 3—Comparison of Actual Money Supply and Planned Money Supply**

Year	Growth in Volume of Credit (100 million yuan)		
	Planned Volume (1)	Actual Volume (2)	(2)/(1)
1983	354	378	1.07
1984	423	988	2.34
1985	715	1486	2.09
1986	950	1685	1.77
1987	1225	1442	1.17
1988		1518	
1989		1851	
1990	1700	2757	1.60
1991	2100	2878	1.37
1992	2800	3864	1.38

Year	Growth in Volume of Currency Issued		
	Planned Volume (3)	Actual Volume (4)	(4)/(3)
1983	60	90.7	1.51
1984	80	262.3	3.28
1985	150	195.7	1.30
1986	200	230.5	1.15
1987	230	236.1	1.03
1988	200	679.5	3.40
1989	400	210	0.53
1990	400	300	0.75
1991	500	1158	1.07
1992	600	1158	1.93

Data sources: Zhong Pengrong [6988 2590 2837] (1990); Xie Ping [6200 1627] (1993).

**Table 4—Investment Growth Rates (Percent)**

	1983	1984	1985	1986
Total social fixed-asset investment	16.2	28.2	38.8	18.7
Whole-people fixed-asset investment	12.6	24.6	41.79	17.74
Growth in budgetary investment	23.93	-3.14	8.05	
Growth in extrabudgetary investment	29.49	56.25	20.16	
Growth in domestic credit as proportion of investment sources	-0.4	47.3	97.4	25.1
Domestic credit as proportion of total investment	12.3	14.1	20.1	21.1

Data sources: *China's Fixed Asset Investment Statistical Data* for respective years.

**Table 5—Money and Credit Situation**

Year	Money in Circulation		Credit Balance (All Types)	
	Volume (100 million yuan)	Growth Rate (percent)	Volume (100 million yuan)	Growth Rate (percent)
1978	212		1850.0	
1979	267.7	26.3	2039.6	10.2
1980	346.2	29.3	2414.3	18.4
1981	396.3	14.5	2764.6	14.5
1982	439.1	10.8	3180.6	15.0
1983	529.8	20.1	3589.9	12.9
1984	792.1	49.5	4766.1	32.8
1985	987.8	24.7	5905.6	23.9
1986	1218.4	23.3	7590.8	28.5
1987	1454.5	19.4	9032.5	19.0
1988	2134.0	46.7	10551.3	16.8
1989	2344.0	9.8	12409.3	17.6
1990	2644.4	12.8	15166.4	22.2
1991	3177.8	20.0	18044.0	19.0

Data sources: *Financial Yearbook of China* (1990); *Statistical Yearbook of China* (1992).

**Journal Views Monetary System Reform**

*HK0712090393 Beijing JINGJI GUANLI in Chinese No 10, 5 Oct 93 pp 13-16*

[By Yang Qixian (2799 0796 0341); "Speed Up Reform of the Financial Structure, Effectively Carry Out Macroeconomic Regulation and Control"]

**[Text]I. Monetary Structure Reform and Macroeconomic Regulation and Control**

Doing a better job of macroeconomic regulation and control is not only the prerequisite for a normal and stable development of the national economy but also one of the important distinctive features between modern market economy and classical market economy both in theory and practice. During the period of classical market economy, it was maintained theoretically that economy be regulated entirely by an "invisible hand" and there was no macroeconomic regulation and control to talk about. As a result, there appeared in the economy blind competition and the blind development, and frequent occurrences of economic crisis with sharp cyclical fluctuations. The economy was extremely unstable and sometimes even caused severe damage to the productive forces and, in general, the economic growth rate was very low. Just because of this, Karl Marx and Friedrich Engels proposed that commodity production and market economy be replaced by "planned organization." Having witnessed the worldwide economic crisis at the end of the 1920's and the beginning of the 1930's, John Keynes put forward the theory—the combination of the development of market economy with "interference" by the state. Since then, macroeconomic regulation and control has been put on the agenda and gradually into the practice of economic work. Because of such a change, the economies of some of the Western developed countries with market economies experienced a faster growth rate and relatively stable development after World War II. Although cyclical economic prosperity and recession still existed, the sharp fluctuations were greatly reduced coupled with a remarkable increase in economic efficiency and economic competitive strength. Therefore, how to do a better job of rational macroeconomic regulation and control in practicing market economy has become a very important issue which no country can afford to neglect.

As for the question of how to do a better job of macroeconomic regulation and control, different countries under different economic conditions would give different answers. Despite these differences, it cannot be said that there is no rule at all for us to follow since, judging from the real situation of modern economic operation and control, no matter what country or government it may be, it normally has three departments to exercise the macroeconomic regulation and control, namely: The comprehensive economic department (some are called the ministry of economy, others the ministry of industry and commerce but, in our country, it is currently called the State Planning Committee); the

financial department; and the monetary department (mainly the central bank which, in China, is called the People's Bank of China). In order to do a better job of macroeconomic regulation and control, we must make reasonable use of, and give effective play to, the role and function of the three departments. It was the planning department which played a major role in macroeconomic regulation and control in the original planned economic system and the centrally planned economic structure. However, decades of practice has proved that the dependence of macroeconomic regulation and control on planning alone was more likely to deviate from reality as, in practice, only administrative interference and mandatory planning were adopted with much subjectivity. As a result, it was neither possible to raise the economic efficiency nor easy to guarantee stable economic growth. The 14th CPC National Congress clearly pointed out that the objective of our economic system reform is to turn the original centrally planned economic system into a socialist market economic system. Naturally, new methods should be studied and adopted to exercise macroeconomic regulation and control.

Generally speaking, under the market economy conditions, economic planning, with certain roles to play, can only be used for rough and elastic economic estimation because it can no longer be implemented with mandatory planning targets. In addition, the economic planning is actually a very long process from the beginning of system study to the implementation of this planning. It is difficult, therefore, to keep pace with the rapid changes in the market economy. Planning can only play a leading or instructive role in economic development rather than timely and accurate regulation and control. Though the fiscal and tax methods can be used effectively for short-term economic regulation and control, it should be relatively stable because it relates closely to the system and legal structure. In general, these means take legal procedures to come into force and are not likely to alternate entirely with market changes. Of the three means mentioned above—the planning, the fiscal and tax, and the monetary, the monetary device will inevitably have its special significance and play a decisive role in macroeconomic regulation and control. It is not only the objective requirement for a healthy development of market economy but also the scientific conclusion by many countries in their long-term practice of economic management. It is the rule that we cannot avoid or violate. As we failed to understand fully this change and special feature, and fail to pay special attention to the problem of how to do a better job in monetary system reform and how to bring into full play the role of monetary means in macroeconomic regulation and control, the monetary system reform has failed to keep pace with other reforms. As a result, the macroeconomic regulation and control still remains at the stage of the planned economy while the microeconomy has, to a considerable extent, been on the way to a market economy, thus bringing about a lot of problems in our economic life.

First, the repeated lack of equilibrium in our macroeconomy. As the monetary system reform failed to keep pace with other reforms the grave responsibility to stabilize the currency has not yet been laid on the central bank, the central bank is not likely to form a restrictive mechanism for the financial and planning departments. Therefore, the long-standing "soft financial restriction" has unavoidably become the "soft monetary restriction;" namely, loans and overdrafts can be made unconditionally by banks in case of financial deficits and construction projects arranged according to plans can be put under construction without getting enough investment beforehand as banks can be forced to increase loans to these projects sooner or later. As an unavoidable result, a rapid increase in annual financial deficits; an overly enlarged scale of capital construction; an excessive issuance of currency over economic growth; and an unstable situation of market, price, and the economy as a whole, have all occurred.

Second, the lavish waste of funds. As the monetary system system failed to keep pace with other reforms, "everybody eating from the same big pot" has basically been maintained in professional banks and blind increased investment can hardly be avoided as the banks are not responsible for their own management decisions, their own profits and losses, and their lending risks, hence the lavish waste of funds. During the three years of economic reform and rectification, the balance of bank loans increased 750 billion yuan while the GNP increased 612 billion yuan (all current prices). Thus, an investment of 1 yuan yielded only the social wealth of 0.8 yuan,  $\frac{1}{3}$  decrease from the social wealth yield of 1.2 yuan during 1979-1988. From this comparison, we can see clearly the low efficiency and lavish waste of our fund use in these years.

Third, the severe damage of market credit. As the monetary system reform failed to keep pace with other reforms, there is no clear distinction between the functions of the government and those of banks and enterprises. Yours can be mine and mine can also be yours. There is neither responsibility or risk for any payment arrears, hence the rapid increase of "triangular" and "multiangular" debt. More and more loans cannot be recouped, severely damaging the essential conditions and moral standards on which the normal operation of market economy depends—credit and reputation.

Fourth, great disorder in the monetary system. As monetary system reform failed to keep pace with other reforms, neither the necessary external checks and balances mechanism, nor the effective internal self-discipline mechanism, has been formed in the banks. Naturally, the banks may, for the interest of their own units or system, arbitrarily loan credit funds, increase loan interest rates, misappropriate tied loans or even divert funds, overtly or covertly, to speculative transactions in securities, bonds, or real estate. This not only resulted in severe shortages of normal required funds for

productive and operational units but also brought about unprecedented nationwide disorder to the monetary system.

The abovementioned severe problems have fully displayed that it has become an urgent task to speed up monetary system reform. Otherwise, not only will many problems in our current economic life not be solved but also more severe social or political problems are, likely to occur, to which we must give our full attention and reach a common understanding as soon as possible.

## II. The Essential Idea and Basic Concept for Speeding Up Monetary System Reform

It should be admitted that, in a country which practiced the planned economy and the centralized planning system for a long time, it is a complex system engineering reform to replace the bank system, which has been serving as the "cashier" for the financial department and the "reckoner" for the planning department, by the modern monetary system which will not only fit in with the demands of market economy but also play a vital role in macroeconomic regulation and control. To accomplish this, there will be not only enormous difficulties but also various kinds of resistance and risks. Although we have recently adopted various measures to restructure the disordered monetary system and attached much importance to this work, this is by no means the deepening reform of the monetary system. In order to do a better job in the monetary system reform, we must not only have a clear understanding of the great significance of the monetary system reform in macroeconomic regulation and control, and carry on this reform decisively and unwaveringly, but also, proceeding from the present reality, do a better job in real earnest in the following reforms:

First, to be resolute in strengthening the functions of the central bank and the professional banks and to do a better job in financial quantitative control. As there is no restrictive control over total supply and demand, the loan scale, and the issuance of currency, it is no wonder there is a lack of equilibrium in the macroeconomy, a lavish waste in funds use, and a great disorder in our monetary system. As for the monetary quantitative control, we have long been accustomed to giving loan quotas directly to each of the professional banks. Facts show that this is by no means an effective method as our economy is now overwhelmingly in market operation with various interests for the banks. Professional banks may either increase derivative deposits through repeated outlets and largely exceed the loan quota or deliberately lay the funds shortage on key projects. This has resulted in issuing IOUs when purchasing farmer's products and the severe shortage of funds for major construction projects, finally forcing the central bank to increase its money supply. Moreover, it is ineffective to adopt generally tight money measures to solve the problem if total supply and demand are out of control. Therefore, if there is no fundamental reform of the bank system, and no restrictive and effective checking mechanism between

the central bank and financial departments and between the professional banks and state-owned enterprises, any adoption of austerity measures will become "a one knife treatment," the blind treatment of everything in the same way. Banks will retrieve whatever money they can without paying attention to the real demand and those that should be controlled are out of control, just like the two "bottomless pits"—the overdraft of financial deficits and the unpaid loans, year after year, put state-owned enterprises in the red. There is a lavish waste of funds but, on the other hand, it is more difficult for enterprises with better economic results to borrow circulating funds which they urgently need. As a result, the total amount of money supply cannot be controlled nor can economic growth and efficiency be improved, putting the economy in an even more difficult position.

From our present point of view, the only way to solve this dilemma is to carry out the monetary system reform immediately with mutual cooperation between the professional banks and the unified leadership of the central banks. That is, strengthen the role of the central bank in macroeconomic regulation and control and strictly implement the policy whereby the central bank will no longer be responsible for the loans and overdrafts or engage in operational business activities but only responsible for the stabilization of currency and the economy. At the same time, the professional banks, with the exception of a small number of policy-lending banks, shall be changed into real commercial banks responsible for the assets and liability management, their independent operations, and their own profits and losses but no longer responsible for granting loans or funds to enterprises which are either insolvent, in the red, or unable to find markets for their products. The two major loopholes causing the unchecked money supply must be plugged. It is estimated that the banks' funds occupied and used in the two major loopholes each year is in the dozens of billion yuan. Up to now, the credit funds occupied and used (overtly or covertly) by the financial deficits only take up nearly one-fifth of the total bank funds (including the issued currency, assimilated deposits, and self-owned funds). When added to the bad accounts and the insolvent parts of the loans to enterprises, this amounts to one-third or about 40 percent of the total amount of banks' funds. Banks have actually been hard-pressed for money and can hardly bear such a situation any longer. If reform in this aspect is not carried out immediately, the macrocontrol of overall money supply, the shrinkage in loan scale, and the guaranteed supply of the normal fund circulation to the major industrial and agricultural productions and construction projects will become empty talk and the development of the economy as a whole will be hindered or even damaged, with the possible occurrence of a serious financial crisis.

Naturally, in order to carry out a reform like this, the central bank will no longer be responsible for loans or overdrafts for financial deficits and the commercial banks will no longer be responsible for funds supply to the state-owned enterprises which suffer losses and

cannot find markets for their own products. This will undoubtedly cause many difficulties for and put much pressure on government finance and on part of the state-owned enterprises; however, without reform like this, the risk could be even greater in future as such a situation keeps developing. However, we can use other measures to solve or tackle the problems that may occur in government finance and in state-owned enterprises. For instance, the problems of government finance can be solved by strengthening tax control, the reduction of government subsidies, and the appropriate increase of bond issuance or the sale of the shares of part of the state-owned enterprises. As for the difficulties in the state-owned enterprises, these can be solved by the establishment of the job-waiting insurance system and the grant of relief funds in accordance with a certain standard in order to secure social stability. In no circumstances should we hesitate or be restrained in carrying out this reform for fear of the possible risks.

In addition, we must establish a healthy financial regulation mechanism and form a set of sensible and effective methods of financial regulation and control.

This is not only the focal and difficult point in further deepening the financial system reform but also an effective measure in performing rational distribution of financial resources under the condition of doing a better a better job in financial control of the overall money supply. If we say that the aim of the former layer of reform was to fundamentally restructure the financial system and to solve the problems in financial or even the overall economic control of the total amount, the aim of the latter layer of reform is to increase adequately the effectiveness and efficiency of funds use and the economic operation as a whole. Both of the reforms are indispensable for the healthy development of our economic development and reform and, therefore, must complement each other and combine organically to gradually formulate a system of fairly standardized regulation and control measures. To accomplish this, two major points must be paid attention to in the establishment of the regulation and control means and mechanism:

1. The adjustment of reserve funds ratio. The reserve funds ratio, or the proportion of the reserve funds that must be handed over to the central bank by each of the commercial banks after absorbing deposits, is an important means whereby the central bank regulates the financial demand and supply of society. This system has been established in our country for many years, yet it is not as effective as we expected because there are no rules or regulations for the central bank to follow in current loan supply. As the total amount of money supply is improper, it is difficult for the macroeconomy to remain stable. In financial system reform, we must form a system in the application of reserve funds and reloans to see that, when there is surplus fund for the society, the reserve funds ratio should be appropriately adjusted upward or reduce the supply of reloans properly. If there are insufficient funds for society, the reserve funds ratio

should be appropriately adjusted downward or increase the supply of reloans properly so as to ensure proper circulation of the social fund and promote stable economic growth rather than doing quite the opposite or being at a loss what to do thus bringing about an adverse influence on the healthy development of our economy.

2. The adjustment of the benchmark interest rate. A benchmark interest rate formulated by the central bank for deposits and loans in accordance with the situation of the financial market and the demand of economic development and floated freely by commercial banks within a specified range is one of the most important means for financial regulation and control. Through this, the interest of each social section and the supply and demand of social funds can be effectively adjusted to regulate and control rationally the growth and structure of the social economy and the increases in market prices. When the economic growth is overheated, we can tighten money supply and reduce our loan to enterprises through increasing deposit and loan interest rates to reduce the capital input and slow down the economic growth. When there is economic recession, we can increase money supply and loans to enterprises by decreasing deposit and loan interest rates to increase the capital input and speed up the economic growth. For instance, in the first five months of this year, as the price index is up more than 10 percent while the savings deposit rate is less than 8 percent, the incremental balance of the urban and rural saving deposits decreased 37 percent as compared with the same period last year and the amount of money which could be put into the market by the banks became relatively small. With the increase in interest rates, both in May and in July, there was a remarkable increase in urban and rural saving deposits, thus giving a full expression to the role of interest rates in regulation and control.

3. The adjustment of public market business. Under the condition of market economy, funds are one of the important commodity and productive factors and, therefore, must be distributed and adjusted rationally on the basis of market. In financial system reform, it is also an indispensable task for us to develop actively various kinds of financial forms; to cultivate and gradually establish a perfect monetary market and, through the open business activities of the central bank in the monetary market, effectively adjust the social economic activities. For this purpose, in addition to develop, continually and vigorously, the short-term funds borrowing market, accelerate as quickly as possible capital circulation; and raise the effectiveness of funds use, we must establish, systematically and in a planned way, in some major cities a number of relatively perfected medium- and long-term capital markets, including various kinds of securities, shares, and foreign exchange markets. Meanwhile, the remaining shortages of market capital can be adjusted rationally through the timely intake and input of securities, shares, and foreign exchange by the relevant monetary institutions in the open market. This will increase the income of some

monetary institutions and, on the other hand, will maintain the macroeconomy in a balanced, or virtually balanced, position.

It is true that the financial system reform is a very difficult task but it is not something which is unattainable. In 1992, the Vietnamese succeeded in a preliminary way in this reform and their experience is ready for us to use as reference. Before this reform, the monetary system in Vietnam was also basically a "soft restrictive" system. Although they followed our example and established in 1989 the central bank and four professional banks (the names are basically the same as ours), the overall economic balance could not be kept as the banks failed to play their functions as expected and the inflation rate once reached 600 percent. In 1991, the inflation rate was also over 60 percent. In 1992, they determined to carry out the monetary system reform and strictly separate the functions of the central bank from those of the commercial banks. That is, the central bank would stabilize currency and no longer be responsible for the financial deficits and overdrafts while the commercial banks would adhere to the principle of enterprise operation and efficiency and no longer be responsible for funds supply to enterprises which are in the red or insolvent. At the same time, they would adopt flexible interest or exchange rates, allowing them to float according to the supply and demand for the capital and foreign exchange in the market. The Vietnamese also made great efforts to streamline government organizations, held down government expenditure, reregistered the state-owned enterprises and forced part of those enterprises with low economic efficiency to declare bankruptcy or close down. They also lifted the control over commodity prices and granted the decisionmaking power for production and operation to the enterprises. As a result, they effectively improved not only the situation of severe lack of equilibrium in the macroeconomy but also the long disordered economic and monetary systems with the price index reduced to about 15 percent. The exchange rate for Dong (the Vietnamese Currency) against the U.S. dollar did not go down but increased more than 30 percent and the whole economic situation was basically stabilized. Judging from the present economic situation and strength in our country, we have much better conditions and a more solid foundation than the Vietnamese in accelerating monetary system reform. As long as we unify our thinking, adopt the appropriate methods, and do a better job really earnestly, we are sure to achieve faster and better results in carrying out the monetary system reform.

#### **People's Bank To Become 'Real Central Bank'**

OW0712160293 Beijing XINHUA in English 1433  
GMT 7 Dec 93

[Text] Beijing, December 7 (XINHUA)—A primary task in deepening China's financial reform is to transform the People's Bank of China (PBC) into a real central bank, according to a senior banking official.

Addressing a national banking conference here yesterday, Zhou Zhengqing, vice governor of the PBC, spelled out two major functions to be undertaken by the PBC in the course of establishing a socialist market economy in China.

One function is to lead and administer financial undertakings throughout the country, formulate and implement correct monetary policies and maintain the basic stability of Chinese currency.

The other function is to enforce strict supervision and management of financial institutions and make sure that the country's financial system operates in a safe and effective manner.

Zhou stressed that monetary policies must be unified nationwide and the authority to formulate such policies must be concentrated in the hands of the PBC head office.

On the reform of the credit and loan management system, he said that while adhering to the objective of controlling overall credits and loans, next year the PBC will try to use new operational means, such as regulating money supply and changing inter-bank lending and borrowing rates.

The PBC will also spread the business done in open markets that handle treasury bonds and foreign exchange, he said.

Furthermore, funds and business of commercial banks and policy-lending banks should be managed separately, he said, adding that it is necessary to sever direct ties between money supply by the central bank and loans extended in line with government policies.

Zhou stressed that transforming state-owned specialized banks into commercial banks is crucial to the success of reform in China's financial system.

That transformation, which requires a gradual process, will go hand in hand with the reform in other areas, particularly the introduction of a modern enterprise system, and the perfection of an internal operational mechanism in these banks, he explained.

It is necessary to run existing commercial banks effectively and increase the number of co-operative banks in both urban and rural areas, he told the conference.

He also called for stepping up the reform of foreign exchange control system.

While deepening the financial reform, he said, it is imperative to take all effective measures to strengthen macro-financial controls and further rectify the financial order.

Zhou also pledged to tighten controls over total supply of credits and loans and continue to recover illicit inter-bank loans.

"To date, we have achieved marked successes in macro-financial controls. As a result, the country's financial system is now operating normally, paving the way for deepening the reform of the financial structure in 1994," he said.

### **Measures Taken to 'Stem Losses of State Assets'**

*OW0812062893 Beijing XINHUA in English 0614  
GMT 8 Dec 93*

[Text] Beijing, December 8 (XINHUA)—China will issue a regulation on supervision of the property of state-owned industrial enterprises as a measure to stem losses of state assets.

Drafted by the State Commission for Restructuring the Economy, the State Economic and Trade Commission and the State Administration of State Property, the regulation stipulates that property in industrial enterprises belongs to the state and should be supervised and administrated by organizations specializing in the control of state-owned assets under the leadership of the State Council.

The departments in charge of supervising state-owned assets in enterprises may set up boards of supervisors and send their members to enforce supervision over the work of maintaining and increasing the value of state-owned assets in enterprises.

The regulation adds that if an enterprise loses money for two years running with a growing amount of losses, cadres directly responsible for the enterprise will be somewhat punished.

It is estimated that China suffers losses of state-owned property of more than 30 billion yuan annually.

To stem the undervaluation of state assets while transferring them, the regulation provides that stringent examinations should be completed before approval when transferring them to individuals, private enterprises or foreign investors.

Meanwhile, the regulation clearly defines enterprises' independent managing rights over the property as legal entities. Government and supervisory departments are forbidden from directly arranging property in the enterprises or transferring capital assets of enterprises in any way.

The supervisory regulation is considered an appendix to the regulation on changing the operating mechanisms of state-owned industrial enterprises, which paid more attention to the managing rights of the enterprises but only defined ownership rights in principle.

An official from the State Economic and Trade Commission said that establishing a supervisory system over state assets is of great importance in the socialist market economy.

Thus, the official said, the central task of reform at present is to implement the two regulations to lay a foundation for the introduction of a modern enterprise system.

In the process of implementation, the trend of "once supervision is mentioned, enterprise decision-making power is lost" should be prevented, the official emphasized.

Sources said that next year the state administration of state property will send boards of supervisors to 1,000 large and medium-sized state-owned enterprises to supervise property management.

### Beijing Sets Goals To Develop Security Market

OW0712150393 Beijing XINHUA Domestic Service in Chinese 0728 GMT 5 Dec 93

[By reporter Zhang Jinsheng (1728 6930 0524)]

[Text] Beijing, 5 Dec (XINHUA)— This reporter has learned from the State Economic Restructuring Commission that the state has set next year's goal to develop China's security market. The state will expand the scale of the issuance of the publicly listed stocks in a planned manner as well as the transaction scale of corporate stocks. The state will, at the same time, adopt effective measures to crack down on big players' behind-the-scenes manipulation of stock prices.

The state continues to develop and improve both the A-grade and B-grade stock markets. To help small investors reduce security investment risks, the state has also, in a step by step manner, set up a number of joint investment funds. As part of the efforts to strengthen management over the stock transaction market, the state will promulgate the "security law" as early as possible, strive to do a good job in establishing a nation-wide security market information network so as to further standardize the procedures on the issuance of stocks and on the listing of companies' stocks on the stock market, and to bring about a gradual improvement in the management of security exchanges and in the transaction system.

Regarding the security market, the state will, in a planned way, continue to enlarge the scope of the issuance of various bonds, set up bond-issuance organs and institutions which will be entrusted with the tasks of evaluating bonds' credit-standing, and promote the healthy development of the bond market. To develop the state bond market, state-run banking, financial, postal savings, and social security fund institutions must maintain a certain proportion of state bonds. National-level commercial and financial institutes may use such bonds as collateral to obtain loans from the People's Bank of China; this will help the Central Bank create an open market.

### Beijing To Upgrade Electronics Industrial Zone

OW0812142093 Beijing XINHUA in English 1322  
GMT 8 Dec 93

[Text] Beijing, December 8 (XINHUA)—The electronics industrial zone in northeastern Beijing will undergo massive upgrading in a drive to become north China's largest manufacturing and trade center in electronic products by the year 2000.

The Beijing Municipal Government's Office of Electronic Industry recently unveiled the new blueprint for the Jiuxianqiao Electronics Industrial Zone.

The 10 square-km zone now accommodates 15 large and medium-sized state enterprises and two large Sino-foreign joint ventures, with a total of 44,000 employees.

According to a plan for the "Beijing electronics town", the zone will seek to further cooperate with overseas companies in the development of new products, such as mobile telecommunications equipment, stereo products, special computers and software.

To help improve operations and management, the plan indicated that state-owned enterprises in the zone will be transformed into stock companies, and that some may be leased to private entrepreneurs.

The "electronic town" will incorporate a full set of facilities and services in banking, insurance, transportation, telecommunications, information and personnel training, making it an ideal place for investors, according to the plan.

The authorities hope that the town will generate industrial sales of 10 billion yuan annually by the end of the century.

### Official Cited on Telecommunications Investment

HK0912120093 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1124 GMT 29 Nov 93

[By reporter Hong Wen (3126 2429) ]

[Text] Hong Kong, 29 November (ZHONGGUO TONGXUN SHE)—An official in charge of the Tianbo Telecommunications Development Company Limited, a representative organ of the Chinese Ministry of Posts and Telecommunications in Hong Kong, reiterated today that, due to its present imbalanced regional development, China has no intention to relax its restriction on investment made by parties from outside China on various domestic telecommunications systems, and it has no plan to develop a second network. However, relevant departments are planning to expand channels for attracting foreign investment. In the meantime, they are taking vigorous efforts to introduce funds, technology, and equipment needed by China's domestic telecommunications construction. Besides the establishment of the pluralistic economic entity of Tianbo Company in Hong Kong, the China National Posts and

Telecommunications Industrial Corporation is also planning to set up a posts and telecommunications industrial development foundation in Hong Kong with a tentative goal of collecting about \$100 million. The corporation has made contacts with the Sun Hung Kai Properties Ltd., but a concrete plan is still under discussion.

Tianbo Company Director Liu Guangqian, who used to be director of the Policy and Legislation Department of the Ministry of Posts and Telecommunications, indicated that, according to policies and documents guiding China's telecommunications development issued by the State Council last July, China will not open its public and specialized telecommunications networks, or its basic and nonbasic businesses, to investors outside the country. Regarding the segment of the nonbasic businesses which is opened to domestic investors, such as the paging service, a system of operation permits will be set up under which an eligible domestic applicant cannot become a legal operator unless he succeeds in first applying for a frequency with the Radio Communication Committee, and then for an operation permit with the Ministry of Posts and Telecommunications.

When asked about newspaper reports on the involvement of Hong Kong businessmen in running paging stations in cooperation with mainland departments, Liu clarified that China's telecommunication networks are divided into public and specialized sectors. The former is under the jurisdiction of the Ministry of Posts and Telecommunications and has drawn up extremely strict rules in carrying out relevant policies, while the latter is under the supervision of specialized departments other than posts and telecommunications department, and therefore things in this sector are more complicated. He would not rule out the possibility that some foreign businessmen had encroached on specialized telecommunications networks. He stressed, however, that the participation of foreign businessmen in any of China's domestic telecommunications networks is against relevant policies and stipulations. Nevertheless, foreign businessmen with actual strength can, through technical transfers and other ways, produce telecommunication products in cooperation with the mainland.

Liu explained: The main reasons China imposes restrictions on the opening of its telecommunications industry to the outside world are as follows. First, China's domestic telecommunications level is still at a low level and development in different areas is dreadfully imbalanced; therefore, the telecommunications industry in China is not aimed at gaining profits, but at providing services for a comprehensive development. Second, because the telecommunications industry is characterized by "a whole course [quan cheng 0356 4453], a comprehensive network, and a concerted operation," all localities are required to develop in a technically well-coordinated way and adopt an overall auditing system. In addition, the state has granted preferential treatment

to the telecommunications industry. Under such circumstances, once the industry is opened to foreign investment, the operation of the industry will be thrown into chaos, the imbalanced regional development will deteriorate, and the state can no longer grant preferential treatment to the industry, thus impairing the comprehensive development of the entire industry. He also pointed out the fact that countries around the world, including advanced countries and regions, all take a prudent and conservative attitude toward an overall opening of their telecommunications industry, and they only consider lifting restrictions over the industry after they have developed to a certain level. Many countries are trying to restrict excessive competition in the industry by applying a system of operation permits and franchises. There is much in these practices that China can make use of.

He stressed that although the state has granted preferential treatment, such as tax reductions, to the telecommunications industry, most of the profits gained by telecommunications departments has been earmarked for reinvestment. He disclosed that this year's total amount of fixed assets investment will exceed 30 billion yuan, up 100 percent over last year. Of the total, 70 percent is collected by the Ministry of Posts and Telecommunications itself, state loans amount to only 400 million yuan, and the remaining comes from overseas loans.

He admitted frankly that to reach the grand goal of developing the telecommunications industry, China needs a large amount of capital and strong technical backing. To this end, the Tianbo Company can make full use of Hong Kong as an international financial center to expand channels for introducing funds, technology, key equipment, and advanced management experience needed by the mainland's telecommunications construction. It has been learned that the China National Posts and Telecommunications Industrial Corporation is also planning to set up a posts and telecommunications industrial development foundation in Hong Kong, with a tentative goal of collecting about \$100 million.

At present, the Ministry of Posts and Telecommunications has established a goal of ~~upholding~~ a high starting point, maintaining high-speed growth, striving for fine quality, carrying out the proper scale of operations, and bringing about an unusually rapid development. By the year 2000, the total value of the national posts and telecommunications industry will amount to 133 billion yuan, the total capacity of telephone networks will reach 100 million sets, and 5-6 percent of all Chinese people will have a telephone in their home, and 35-45 percent will have them in major cities and major coastal open cities. As the representative organ of the Ministry of Posts and Telecommunications in Hong Kong, the Tianbo Company will uphold its principle of "setting up a base in Hong Kong, providing services to the entire country, and catering to the needs of the world markets." They will devote great efforts to strengthening cooperation and trade in telecommunications products with

other countries and regions in the world, and appropriately engage in telecommunications operations in both Hong Kong and Macao.

### **Wuhan Opens International Futures, Exchange Market**

*OW0912112993 Beijing XINHUA in English 1056  
GMT 9 Dec 93*

[Text] Wuhan, December 9 (XINHUA)—An international futures and exchange market, jointly founded by two companies from China and Canada, has opened in Wuhan, capital of central China's Hubei Province.

The market is equipped with advanced telecommunication facilities including an information terminal system imported from REUTER and satellite system, networking with major futures market exchanges at home and abroad.

Customers can acquire directly through price and analysis systems information on futures markets in Hong Kong, Chicago, New York and Tokyo.

The market's services cover coffee, sugar, cotton, soybean and crude oil of the U.S. futures market, the Hang Seng Index of Hong Kong, and stocks index of the Singapore market.

Both domestic and foreign businesses dealing in metals, petrochemicals, coal and farm products can carry out their activities on the market, which has 108 seats for brokers.

The first phase of investment in the market is 15 million yuan (about 25 million U.S. dollars).

### **First Tertiary Industry Almanac Published**

*HK0812142293 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1030 GMT 27 Nov 93*

[Text] Beijing, 27 Nov (ZHONGGUO XINWEN SHE)—A ceremony was held at the State Planning Commission today for the first issue of *China's Yearbook on Tertiary Industry*, the first of its kind. The almanac, which will be used as a reference book, contains China's principles and policies on tertiary industry.

She Jianming, vice minister of the State Planning Commission, said at the ceremony: The tertiary industry is growing more rapidly than it did in last two years and has taken a big step forward in deepening reform and opening to the outside world. However, China's tertiary industry still fails to meet the demand of further development in the national economy. China obviously lags behind developing countries, let alone developed countries, in terms of the proportion of the tertiary industry's added value in the GNP. Our market system, collectivized service system, and social security system are still at a low level, so the task of further developing tertiary industry remains tough.

Vice Premier Zou Jiahua wrote a inscription for the book which reads: "Develop tertiary industry to bring benefit to the people." State Planning Commission Minister Chen Jinhua wrote a preface for the book. Liu Jiang, incumbent agriculture minister and former State Planning Commission vice minister, is editor-in-chief of the book.

In his preface, Chen Jinhua said: For a long period we have treated tertiary industry as an unproductive sector and given it a subordinate status in making plans. We have failed to acquire a clear understanding of its role in the national economy and to treat it correctly, thus hampering its development. In fact, tertiary industry is a big sector of the national economy, has become a more and more important part of the economic structure, and is playing a greater and greater role in economic development.

### **'Roundup' Views Economic Potential of Minorities**

*OW0812043393 Beijing XINHUA in English 0234  
GMT 8 Dec 93*

[("Roundup": "Minorities Tap Resources for Economic Takeoff")]

[Text] Urumqi, December 8 (XINHUA)—Ethnic minorities across China are busy tapping abundant natural resources in an unprecedented drive to rid themselves of poverty.

The construction of oil and gas fields, mines, water conservancy projects and power stations are in full swing in minority-inhabited regions, which take up 64 percent of the country's territory.

China's 55 ethnic minorities, with a population of over 91 million, are mainly distributed in five autonomous regions and three provinces in the north, northwest, west and southwest, where natural resources abound.

With the help of the central government, coastal provinces and municipalities, minorities have accelerating their struggle to exploit natural resources.

The Inner Mongolian Autonomous Region in northern China is embarking on an ambitious program to turn the area between Huhhot, Baotou and Dongsheng into a massive money-making machine. Covering about 20,000 sq km, the area contains 24 types of mineral resources. Coal reserves alone are estimated at 120 billion tons.

Under construction are two coal mining areas in Jungar and Dongsheng, the Inner Mongolian Chemical Fertilizer Plant, which is expected to turn out 520,000 tons of urea annually, and five power stations, each with the capacity of one million kw [kilowatt].

The region will also set up ten bases to produce nonferrous metals and building materials.

Crude oil output in Xinjiang hit more than 10 million tons this year. Qinghai Province has built an oilfield capable of producing 1.2 million tons of crude oil every year.

The Longyangxia Hydropower Station, with a generating capacity of 1.28 million kw, will be completed and go into operation soon.

Aluminum and chemical fertilizer plants in Qinghai Province have been producing at full capacity and expansion projects are underway.

The southwest is blessed with abundant hydro-power resources. In Yunnan Province, home to 25 ethnic

minorities, several power stations have already gone into operation. More are on the way.

Mountainous Guizhou Province has increased investment by 22.3 percent over last year to tap energy resources and raw materials.

Energy-short Tibet, with huge doses of money from the state, has been hotly tapping its thermal and water resources.

Success in exploiting resources in their home regions has helped the economy in minorities regions take off and people are earning more money than they had ever dreamed of.

## East Region

### Anhui Sees Results in Property Rights Reforms

OW0812080593 Beijing XINHUA in English 0721  
GMT 8 Dec 93

[Text] Hefei, December 8 (XINHUA)—East China's Anhui Province has been handsomely rewarded by its adoption of a series of flexible measures in property rights reform.

The measures cover annexation, leasing, implementation of shareholding systems and auctioning off of enterprises on the verge of bankruptcy.

An official with the provincial commission for restructuring the economy said that by October, about 290 loss-making companies had been taken over, with more than 700 million yuan worth of assets transferred and some 40,000 staff resituated.

Meanwhile, six state-owned enterprises and nine collective companies, involving 30.6 million yuan and 2,000-odd personnel, have gone bankrupt this year, reaching a record high. And 20 businesses, with a capital of 4.56 million yuan, have changed hands.

In addition, more than 5,800 small companies have enforced reforms in the light of their specific conditions, such as making contracts with individuals.

According to the official, with building momentum, the province has implemented a shareholding system in large and medium-sized enterprises and achieved remarkable progress.

So far, 352 companies have introduced the new system, among which some have been listed at home and abroad, collecting 7.236 billion yuan in funds. For example, Maanshan Iron and Steel Company issued 1.733 billion shares that brought in 500 million U.S. dollars.

The province has also gone all out in standardizing the system and enforcing it among collective or township enterprises.

And the official said Anhui is the first province to boast stock exchanges in 15 cities. More are under construction throughout the province.

He revealed that property rights reforms still top the agenda for next year.

According to the plan, 10 percent of large or medium-sized enterprises will adopt the shareholding system and some will experiment with a transformation to solely-funded businesses.

With reforms deepening, the province will establish a comprehensive exchange network of property rights, strengthen supervision over state-owned assets and explore a more effective way to manage medium or small-sized businesses.

### Fujian Secretary Inspects Ningde Prefecture

HK0812110393 Fuzhou Fujian People's Radio Network in Mandarin 1100 GMT 3 Dec 93

[Text] From 29 November to 1 December, Chen Guangyi, provincial party committee secretary, Huang Wenlin, provincial party committee standing committee member and secretary general, Yuan Qitong, provincial people's congress standing committee vice chairman, and provincial Vice Governor Liu Mingkang led comrades in charge of the provincial party committee general office, provincial government general office, provincial discipline inspection commission, provincial foreign economic relations and trade commission, provincial finance department, provincial communications department, provincial ports management office, and various cadres to Ningde Prefecture where they not only carried out investigations and study, but provided on-site guidance and helped tackle local problems calling for prompt solutions. They urged Ningde Prefecture to seize each and every opportunity to develop local superiorities and speed up economic growth.

Accompanied by Chen Zhenguang, Ningde Prefectural CPC Committee secretary, Tang Jinhua, Ningde Prefectural Administrative Office director, and other local cadres, Chen Guangyi and his entourage went, in spite of a heavy rain, deep into some small industrial zones, development zones, factories, and enterprises in Zhouning County, Fuan City, Ningde City, and some other cities and counties, and visited villages, peasant households, and tunnel construction sites. Wherever they went they carried out investigations and study and exchanged views with local cadres on issues like economic exploitation, opening up, and so on. Moreover, they also called on Navy units stationed on several small islands.

On their inspection tour, Chen Guangyi and his entourage also exerted their utmost to publicize the party's basic line and the spirit of the Third Plenary Session of the 14th CPC Central Committee. Chen Guangyi stated: We are now confronted with a favorable international situation and an excellent domestic situation as well, and are in the best period in China's modern history, which dates back more than 150 years. The eastern part of Fujian is a mountainous and coastal region rich in natural resources and should firmly seize each and every opportunity to carry out historical development by carrying forward such an enterprising spirit as constantly striving to become stronger, relying on oneself, and continually seeking progress by means of hard work, focusing on in-depth reforms, and actively exploring ways of expeditiously building a socialist market economic structure.

At an on-site work meeting held in Ningde on 1 December, Chen Guangyi expressed his views on expeditiously developing the eastern part of Fujian. He stressed: We should strive to open up new vistas for developing the eastern part of Fujian by speeding up Chengao's development. The policy of opening up to the

outside world is of great significance to developing the eastern part of Fujian, as well as the rest of Fujian. We are now confronted with an extremely rare opportunity. The eastern part of Fujian should firmly seize this opportunity to rapidly develop four areas, namely, Chengao, Saiqi, Xiabaishi, and Zhangwan, as an integral whole, map out a strategic local development plan, successfully carry out feasibility study and planning, make sound preparations for Chengao's opening up and exploitation, build a group of large, backbone projects with foreign capital, and invite funds for local economic exploitation so as to enable Sanduao to spearhead economic development in the eastern part of Fujian. At present, we should make continued efforts to step up economic exploitation and construction in the Sanqi-Xiabaishi area.

Chen Guangyi stated: In order to introduce advanced foreign technology at a faster pace and strengthen cooperation with the hinterland, the eastern part of Fujian should make every possible endeavor to invite more foreign capital, build more enterprises through cooperation with the hinterland, and speed up reform and opening up. As it is still lacking in infrastructure facilities, the eastern part of Fujian must waste no time in building infrastructure facilities. To this end, it should, at present and in the immediate future, concentrate on designing and building four key projects: Tunnel No. 104, Xushan power station, Chengao Port, and Fuan railroad, especially Tunnel No. 104, which should be built without delay as the relevant conditions are ripe.

Chen Guangyi expressed the hope that the eastern part of Fujian will actively carry out explorations, accurately implement policies, and deepen all sorts of reforms. He noted: The eastern part of Fujian is now enjoying the same special and preferential policies as those implemented in the old liberated areas, poverty-stricken areas, coastal open cities, ethnic minority areas, as well as border trade ports, especially those preferential policies tailored to comprehensive reform experimental zones and poverty-stricken areas and those special policies aimed at promoting opening up of the Sanduao and Chengao areas. The crux of the matter now lies in accurately implementing and giving full scope to these policies, continually promoting comprehensive agricultural development, and thoroughly eradicating poverty with greater determination.

#### Fujian Sets Up More Enterprises Overseas

OW0912105893 Beijing XINHUA in English 1006  
GMT 9 Dec 93

[Text] Fuzhou, December 9 (XINHUA)—East China's Fujian Province has established more and more enterprises overseas while making efforts to woo more overseas investment for local economic development.

The province has established more than 190 joint ventures, solely-funded and cooperative firms in 36 countries and regions. These enterprises cover a wide range, including construction, machinery, transport, petrochemicals and electronics.

As one of the first provinces of the country to open up to the outside world, Fujian started to set up undertakings overseas in the 1980s. The last decade saw rapid development in this sphere.

The province's Hong Kong-based Zhongguo Wuyi Industrial Corporation has won bids in a number of countries and regions. By the end of last year, the company had signed contracts involving a total value of 230 million U.S. dollars, resulting in 187 million U.S. dollars in business volume and 51.7 million U.S. dollars in income.

Fujian Province has achieved much in terms of total contractual volume, the number of laborers sent to work abroad and foreign exchange earnings in the last five years.

Exporting technology and taking advantage of local low labor costs and raw materials is a new trend in the province's efforts in establishing enterprises overseas, especially in third world countries.

The province has provided technology to set up factories in Bangladesh and the Philippines to produce mosquito-repellant incense, reaping good economic returns.

The province also buys shares overseas to participate in management of foreign enterprises.

Last spring, the province purchased 40.53 percent shares of the big-name American electronics EDI Company, a move which has helped earn considerable profits and promote the development of the province's electronics industry.

Currently the province is trying out a new method of setting up enterprises overseas with foreign loans, technology and raw materials. These enterprises are designed to produce domestically badly-needed materials.

#### Shen Daren-Led Jiangsu Group Returns From Japan

OW0812124193 Nanjing Jiangsu People's Radio Network in Mandarin 2300 GMT 26 Nov 93

[From the "News" program]

[Excerpt] A Jiangsu provincial friendship delegation led by Shen Daren, chairman of the provincial people's congress standing committee, returned to Nanjing on the morning of 26 November after successfully completing its eight-day visit to Japan. Ling Qihong and Wu Xijun, vice chairmen of the provincial people's congress standing committee; vice governor Yang Xiaotang; and responsible persons of provincial departments concerned greeted the delegation in Nanjing.

The delegation on 19 November attended a ceremony and a lecture sponsored by the Fukuoka prefectural government to celebrate the first anniversary of the establishment of friendship ties between Jiangsu Province and Fukuoka Prefecture. Shen Daren and Fukuoka Governor Okuda and Speaker Yoshimura gave speeches brimming with warm feelings. They reviewed the positive achievements in the friendly relations between Jiangsu and Fukuoka in the past year since the establishment of friendly ties between them. They also looked at the prospects of economic, technological, and cultural exchanges between Jiangsu and Fukuoka.

Ye Jian, chairman of Jiangsu's Foreign Economic Relations and Trade Commission, gave a briefing on Jiangsu's achievement in reform, opening up, and economic construction, especially the development of its export-oriented economy and improvement in its investment environment. He welcomed more Japanese businesses to invest in Jiangsu and set up different kinds of enterprises.

On 21 November, the delegation attended the opening ceremony of Fukuoka's 1993 tourism fair. Shen Daren spoke at the ceremony, expressing his hope Jiangsu and Fukuoka will further increase understanding and strengthen cooperation in a joint endeavor to create a beautiful peaceful environment. [passage omitted]

### Jiangsu Urban Employees' Wages Up in 1st 9 Months

OW0912105093 Beijing XINHUA in English 0958 GMT 9 Dec 93

[Text] Nanjing, December 9 (XINHUA)—East China's Jiangsu Province reports a rise in the wages of its urban employees.

According to figures from the provincial labor department, the province paid wages totalling 21.27 billion yuan in the first nine months of this year, averaging 2,355 yuan per worker, an increase of 29.8 percent over the same period last year.

Jiangsu is China's economically-developed province.

An official of the department said employees' wages rose by 30 percent in state enterprises in the January-September period, by 26.1 percent at collective businesses, and by 38.3 percent in other economic sectors.

### Jiangsu Sets Up Environmental Protection Fund

OW0812090093 Beijing XINHUA in English 0809 GMT 8 Dec 93

[Text] Nanjing, December 8 (XINHUA)—East China's Jiangsu Province has decided to set up an environmental protection science development fund this year.

A provincial official in charge of scientific development said the fund, which comes mainly from penalties levied against polluters, will amount to more than four million yuan.

It will be used in spreading environmental protection science research findings and pilot projects in the form of low-interest and interest free loans.

The official noted that the fund will advance the study and popularization of research findings in environmental protection and promote the harmonious development of the economy and the preservation of the environment.

China's leading economic giant, Jiangsu put forward a strategy of developing its economy by relying on science in 1989.

### Shandong's Jiang Chunyun at Rural Work Conference

SK0912032793 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 8 Dec 93

[Excerpt] The provincial party committee held a rural work conference in Jinan from 8 December. At the conference, the provincial party committee studied and worked out policies and measures for speeding up the development of agriculture and the rural economy under market economic conditions.

In his speech, Jiang Chunyun, secretary of the provincial party committee, pointed out the basic ideas for deepening rural reform and speeding up the development of agriculture and the rural economy in the foreseeable future. Present at the conference were leading comrades of the provincial party committee, the standing committee of the provincial people's congress, the provincial government, and the provincial committee of the Chinese People's Political Consultative Conference, including Jiang Chunyun, Zhao Zhihao, Li Chunting, Li Wenquan, Lu Maozeng, Ma Zhongcui, Dong Fengji, [name indistinct], Sun Shuyi, Guo Changcui, Wang Jiangong, and Wang Yuxi; and secretaries of the city, prefectural, and county party committees. Zhao Zhihao, deputy secretary of the provincial party committee and governor of the provincial government, chaired the conference. Vice Governor Wang Jiangong relayed the guidelines of the central rural work conference. Jiang Chunyun, secretary of the provincial party committee, made an important speech at the conference. [passage omitted]

### Investment Bank Opens Branch in Pudong

OW0912091893 Beijing XINHUA in English 0839 GMT 9 Dec 93

[Text] Shanghai, December 9 (XINHUA)—The China Investment Bank opened a branch in the Pudong area today, increasing another channel for raising funds abroad.

To date, all state-owned financial institutions have offices in the area.

The Beijing-based China Investment Bank is one of the ten major financial organs designated by the Chinese Government to raise funds overseas. It is a professional bank which handles long-term and medium-term investment credit and loans.

The Pudong branch, which went into trial operation on March 1 this year, now has a total bank deposits of more than 90 million yuan and over 25 million U.S. dollars in foreign currencies.

It is one of the banks to provide loans for the projects of "East Pearl" television tower and the industrial development zone in the Pudong New Area.

### North Region

#### Activities of Beijing's Chen Xitong Reported

##### Inspects Machinery Plant

*SK0812043093 Beijing BEIJING RIBAO in Chinese  
28 Nov 93 p 1*

[By reporter Bi Kun (3968 2492): "Chen Xitong, Secretary of the Beijing Municipal CPC Committee, Conducts Investigations and Study at Beijing Heavy-Duty Electrical Machinery Plant"]

[Text] While conducting investigations and study at Beijing Heavy-Duty Electrical Machinery Plant on 27 November, Chen Xitong, secretary of the municipal party committee, stressed that to set up the socialist market economic system, we must achieve the development of the state-owned large and medium-sized enterprises, the main body of the socialist market economy; continue to support the development of these enterprises; and give priority to the key enterprises with prospects.

Accompanying Chen Xitong to conduct the investigations and study were some municipal leaders, including Wang Baosen, Duan Bingren, Ouyang Wen'an, and Li Runwu; and leaders of the relevant commissions, offices, and bureaus.

Beijing Heavy-Duty Electrical Machinery Plant is China's key specialized enterprise manufacturing turbogenerators for power plants. This plant has 7,800 staff members and workers. In 1986, the plant started to carry out the system of guaranteeing the delivery of revenues to the state, guaranteeing both technological transformation and the increase in property, and linking wage bills with economic results. From 1986 to 1992, the plant doubled or redoubled its major economic targets, such as total industrial output value, sales income, profits and taxes, and the original value of fixed assets; continued to make technological progress; and received the orders of

goods for 1996. Plant Director Li Jubin reported on the reform and management situation and the current difficulties and problems.

Municipal leaders, including Chen Xitong, heard a detailed report and asked about the increase in the value of the state property, technological transformation, creditors' rights, debts, and the occupation of capital.

Chen Xitong pointed out in his speech: Now, we are in a new stage of reform, opening up, and modernization. In the course of setting up the socialist market economic system, we must enliven the state-owned large and medium-sized enterprises. State-owned large and medium-sized enterprises are the main body and foundation of the socialist market economic system. We must let them grow up, develop, expand, and improve. If the main body is weakening, loses its vitality, and fails to develop with heavy burdens, it will be impossible to set up the socialist market economic system. Therefore, to set up the socialist market economic system, we should still achieve state-owned, large and medium-sized enterprises. He urged all departments to continue to support state-owned, large and medium-sized enterprises. It is wrong to negate this or only orally recognize it instead of practically supporting their development. We should practically and operationally adopt realistic measures to support the development of state-owned, large and medium-sized enterprises. Otherwise, it is only empty talk.

Chen Xitong stressed: We should provide preferential policies for the key enterprises whose products have markets and prospects, like Beijing Heavy-Duty Electrical Machinery Plant; support them in the spheres of technological transformation and capital circulation; and use the best steel to make the knife's edge. All departments should have a strategic point of view, approach from the macroeconomic point of view, and consciously and actively help the state-owned large and medium-sized enterprises solve problems.

Wang Baosen, executive vice mayor, urged that the departments in charge of the overall work should resolutely support the enterprises with markets and prospects, not support those without markets and prospects, ensure that no new products will be kept in stock. Enterprises should tap potential and pay firm attention to withdrawing debts.

Chen Xitong also went to the turbogenerator, generating unit, and heavy-duty machinery manufacturing workshops to cordially hold talks with the workers and asked them about their production and living situation. This plant is working hard to manufacture the No. 1 330,000-kilowatt generating unit for Dalad Banner Power Plant of Inner Mongolia. Upon the completion of this generating unit, Dalad Banner Power Plant will transmit electricity to Beijing and help Beijing solve its power shortage problems. Chen Xitong urged again and again to ensure the quality of the production and the operation of the generating unit on schedule.

### At Meeting on Plenum Decision

SK0912062093 Beijing BEIJING RIBAO in Chinese  
1 Dec 93 p 1

[By reporter Wu Xiangzhong (0702 0686 0022): "The Central Theoretical Study Group of the Beijing Municipal CPC Committee and Government Hold Report Meeting on Studying the 'Decision' of the Third Plenary Session"]

[Text] On 29 November, the central theoretical study group of the Beijing Municipal party committee and government held a meeting to report the study of the "decision" of the third plenary session of the 14th party Central Committee. At the meeting, Minister of Finance Liu Zhongli was invited to deliver the report on positively promoting the reform of the financial and tax system.

Chen Xitong, secretary of the municipal party committee, attended the meeting. Li Zhiqian, deputy secretary of the municipal party committee, presided over the meeting.

In his report, Comrade Liu Zhongli reviewed the course of reform and development that China's financial and tax system has undergone since the implementation of the reform and open policy. He pointed out: Many previous reform measures had positive and historical functions, yet some were not suitable for the demands of developing the socialist market economy. Therefore, the reform of the financial and tax system is an urgent task.

Comrade Liu Zhongli said: Next year, our country will make new breakthroughs in reforming the economic system. The financial and tax system reform is the key link to next year's reform. The priorities of reform are to replace the current contracted financial system by the tax distribution system on the basis of reasonable division between central finance and local finances, to carry out the system where the central finance refunds and transfers payment to local finances, and to carry out the system of paying product taxes, value added taxes, and business taxes.

Comrade Liu Zhongli also introduced ways to reform the tax system and the financial system and balance the distribution of profits and taxes between the state and state-owned enterprises.

Chen Xitong, secretary of the municipal party committee, made a speech at the meeting. He said: The reform of the financial and tax system that will soon be carried out is extremely necessary and important. This reform is related to each and every district, county, enterprise, and person in the municipality. Thus, we should positively implement the "decision" and enthusiastically support the reform of the financial and tax system. We should conscientiously study Volume 3 of the *Selected Works of Deng Xiaoping* and the "decision" of the Third Plenary Session of the 14th party Central Committee, take the theory on building socialism with

Chinese characteristics as guidance to analyze the existing problems and to find out ways for solving the existing problems, and grasp favorable opportunities to promote the development of enterprises and production.

Present at the meeting were Zhang Jianmin, Wang Daming, Chen Guangwen, Zhang Baifa, and Wang Baosen, leaders of the municipal party committee, the municipal people's congress standing committee, the municipal government, the municipal committee of the Chinese People's Political Consultative Conference, and the municipal discipline inspection commission. Also present at the meeting were principal responsible comrades of the departments, commissions, and offices under the municipal party committee and the municipal government, districts, counties, bureaus, the municipal trade union council, the municipal Communist Youth League committee, and the municipal women's federation.

### Beijing Attorneys To Be Given 'Stronger Voice'

OW0712141993 Beijing XINHUA in English 1344  
GMT 7 Dec 93

[Text] Beijing, December 7 (XINHUA)—A package of reform measures will give attorneys in Beijing a stronger voice in self-governance, a top official from the Municipal Bureau of Justice announced here today.

The director of the bureau, Sun Changli, told reporters that beginning in 1994, the bureau will hand over most management affairs of lawyers' business to the attorneys' association.

At the same time, Sun said, leaders of the attorneys' association will be elected by and from lawyers themselves.

The director ruled out the possibility that attorneys might be included in the civil servants system now being set up in China.

Under this framework, the differences between the present two types of law offices in Beijing—official and co-operative (self-supporting)—will eventually vanish.

The government cancelled subsidies to law offices in 1985. Before that time, all law offices were fully or partially supported by the government.

Sun indicated that the government will allow the setting up of private law offices, but he said Beijing has not yet received an application to privatize any law practice.

Sun told the reporters that Beijing was the first city in China to state clearly that cooperative law offices hold the right to dispose of firm-held property.

In reviewing the development of law offices in Beijing, the director said their number had increased drastically after being banned during the period from 1966 to 1976. The two offices opened in 1980 and the number has now jumped to 104 with 2,513 attorneys.

Of those, Sun said, 19 are branches of overseas law offices and 40 are cooperative firms.

Law offices handle billions of yuan in business in Beijing, Sun said, while attorneys are playing an increasingly important role in many aspects of economic and social life.

They are also an important force in the "construction of a democratic and legal structure," and therefore enjoy a high social status, the director added.

### **Hebei's Cheng Weigao Visits Nursery School**

*SK0712030993 Shijiazhuang Hebei People's Radio Network in Mandarin 2300 GMT 3 Dec 93*

[Text] Bustle and excitement abounded at the entertainment room of the bottom class of the nursery school attached to the provincial hospital at 1030 on 3 December when provincial Leaders Cheng Weigao, Lu Chuanzan, Gao Yongtang, Wang Youhui, Zhang Runshen, and Wang Zuwu sent the children polio vaccines.

Infantile paralysis is an acute viral infection which affects the intestines and has a high tendency of causing disability. As long as polio vaccines are taken according to procedures infantile paralysis can be controlled and eliminated. Our province is taking the lead in the whole country in carrying out the infantile paralysis immunity plan and this is the start of a province-wide campaign to eliminate polio. This has been affirmed by the state departments concerned on several occasions. So far, according to the unified national plan, the province continues to launch the activities of eliminating infantile paralysis and plans to give two polio vaccines to each of the children borne after 6 December 1989 so as to reach the target of eliminating this disease by 1995.

### **Hebei Holds Meeting on Law Violation Cases**

*SK0812032193 Shijiazhuang HEBEI RIBAO in Chinese 28 Nov 93 p 1*

[Excerpt] On 25 and 26 November in Shijiazhuang, the provincial discipline inspection commission held a provincial meeting to report on the work of investigating and handling cases of violating law and discipline. Responsible persons of discipline inspection commissions of various cities and prefectures and responsible persons of the discipline inspection commission of Huabei Petroleum Administration, who were in charge of investigating and handling cases, reported on the current situation and exchanged their experiences in investigating and handling cases.

The meeting pointed out: Since the convocation of the second plenary session of the Central Discipline Inspection Commission, party committees, governments, and discipline inspection commissions at all levels in the province have, in line with the arrangements of the CPC Central Committee and the Central Discipline Inspection Commission, vigorously waged the anticorruption struggle, resolutely investigated and dealt with law and

discipline violation cases of various kinds, and seriously punished a number of corrupt elements, resulting in a good situation of investigating cases. First, the number of cases reported by the masses have increased sharply. From August to October, the provincial discipline inspection commission directly received 5,908 petitions and phone calls providing information from the masses, up by 60 percent over the figure in the previous three months. The increase rate in some cities has even reached 200 percent or more. Second, a number of law and discipline violation cases have been investigated and dealt with. From August to October, the law and discipline violation cases committed by party-member cadres, which were investigated and dealt with by discipline inspection and supervisory organs in the province, rose by 22.8 percent over those in the previous three months. The appalling cases each involving 10,000 yuan or more of illicit money and the appalling cases involving leading cadres at or above the level of deputy county head numbered 100 or more, up by 120 percent over the figure in the previous three months. Third, a number of major and appalling cases have been made public. As of 24 November, 10 cities and prefectures in the province made public 83 law and discipline violation cases, and publicly dealt with 108 cadres who violated law and discipline, of whom 14 were cadres at the county and section levels. [passage omitted]

### **Earnings of Farmers, Herdsman in Inner Mongolia Up**

*OW0812090893 Beijing XINHUA in English 0838 GMT 8 Dec 93*

[Text] Hohhot, December 8 (XINHUA)—The earnings of a million farmers and herdsman in Ulanqab League in north China's Inner Mongolia Autonomous Region went up remarkable this year despite serious natural disasters in recent years.

Thanks to comprehensive development of land and irrigation facilities, the Ulanqab League (prefecture) had another record harvest in grain production and stock raising.

The total grain output of the league reached 1.19 billion kilograms this year, with yields per hectare nearly 2.75 times greater than four years ago.

The annual per capita income of farmers and herdsman increased by 80 to 100 yuan over the past three years, the average per capita income of farmers now exceeding 600 yuan per year, and of herdsman 1,100 yuan.

Ulanqab League is situated in the central part of the region, and often suffered drought and other natural disasters.

In 1989, about two thirds of the farmland produced no grain due to prolonged drought; most of the farmers and herdsman were forced to leave their homes.

To relieve hardship in the 1986-89 period, the government sent a total of 750 million kilograms of grain to the local populace.

### Tianjin Secretary Sponsors Classes on Deng's Works

SK0812071993 Tianjin TIANJIN RIBAO in Chinese 29 Nov 93 p 1

[Excerpts] According to the party Central Committee's requirements that leading cadres should take the lead in studying and applying Volume 3 of the *Selected Works of Deng Xiaoping*, leading members of the Standing Committee of the municipal party committee and the municipal government have studied and read Volume 3 of the *Selected Works of Deng Xiaoping* from cover to cover. From 19 November, they organized classes to concentrate on studying and discussing Volume 3 of the *Selected Works of Deng Xiaoping*. Gao Dezhan, secretary of the municipal party committee, sponsored the classes. At the classes, standing committee members of the municipal party committee and vice mayors and secretary general of the municipal government made speeches to introduce their study experiences. [passage omitted]

During the study, they also talked about their study experiences in line with the issues of strengthening party building, improving spiritual civilization, and setting up the legal system.

Gao Dezhan said in his speech: With rich contents, extensive knowledge, and profound scholarship, Volume 3 of the *Selected Works of Deng Xiaoping* is a Marxist theoretic treasure house for the present age. Thus, conscientiously studying the selected works is of great practical and far-reaching historical significance to arming the whole party with the theory on building socialism with Chinese characteristics; accelerating the pace of reform, opening up, and modernization; and capturing a bigger victory in building socialism with Chinese characteristics.

He also talked about his own study experiences. Gao Dezhan stressed: Studying Comrade Deng Xiaoping's theory is a long-term task. Thus, we should make unwavering efforts to study it. In the course of study, we should read the original work, link theory with practice, and take Comrade Deng Xiaoping's theory as guidance to guide and promote our work. The municipal-level leading cadres have made a good start in their study. From now on, they should also deepen their study in line with their ideological and work reality, closely combine the study of Volume 3 of the *Selected Works of Deng Xiaoping* with that of the "decision" of the third plenary session, and upgrade their awareness of firmly enforcing the basic line of the party and the principles and policies on developing the socialist market economy. 1994 is a key year to speeding up the development of Tianjin. In the new year, we should make a new breakthrough in reform and opening up. The fundamental way for registering a fast increase in the national economy, making big headway in all undertakings, and elevating the work

in various spheres to a new height is that we should take Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics as a powerful motivation. Through study, we should further emancipate the mind; change our ideas; work in line with the requirements for being bolder and making faster development; widen the way of thinking; be inspired with enthusiasm; unite as one; do solid work; make a big breakthrough and big headway in the municipality's reform, opening up, and modernization; and create a new situation in the work of the municipality.

### Tianjin Holds Meeting on Deng's Selected Works

SK0812092593 Tianjin TIANJIN RIBAO in Chinese 27 Nov 93 p 1

[Text] The Tianjin Municipal CPC Committee held a report meeting on the study of Volume 3 of the *Selected Works of Deng Xiaoping* on the morning of 26 November. Zheng Bijian, executive deputy director of the propaganda department of the CPC Central Committee, was invited to come to Tianjin to give a report at the meeting, which was entitled "The Political Significance and Theoretical Significance of Volume 3 of the *Selected Works of Deng Xiaoping*." Gao Dezhan, secretary of the municipal party committee, gave important opinions at the end of the meeting on intensive study of Volume 3 of the *Selected Works of Deng Xiaoping*.

Li Jianguo, deputy secretary of the municipal party committee, chaired the meeting. Attending were Li Shenglin, deputy secretary of the municipal party committee, and Liu Jinfeng, chairman of the municipal committee of the Chinese People's Political Consultative Conference [CPPCC].

In his report, Zheng Bijian expounded upon five points of political and theoretical significance in Volume 3 of the *Selected Works of Deng Xiaoping*: 1) It is the best teaching material and the most powerful weapon to educate the people and unify thinking; 2) Understanding the law governing China's socialist modernization was successfully attained after 10 years of difficulties; 3) The difficulty in successfully understanding the theoretical achievements of the law governing China's socialist modernization; 4) The ideological line for the communists to continuously create a new situation through struggles; and 5) Upholding the party's basic line for 100 years without wavering.

Zheng Bijian pointed out in his report: Volume 3 plus Volume 2 of the *Selected Works of Deng Xiaoping* are the foundation-laying books for the theory of building socialism with Chinese characteristics, which is contemporary Marxism, and the representative book showing that Marxist theory has entered a new sphere and reached a new height in contemporary China. The 10 years discussed in Volume 3 of the *Selected Works of Deng Xiaoping* was a period when our party successfully came to a difficult understanding of the law governing China's socialist modernization under the leadership of the central second-generation leadership collective with

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Comrade Deng Xiaoping as the core. At several important junctures in the 10 years, the theory of building socialism with Chinese characteristics underwent very rigid tests. The results of the tests effectively proved that the theory and line of building socialism with Chinese characteristics are correct and supported by the largest number of people.

Zheng Bijian said: The series of new ideas, new viewpoints, and new concepts formed in Volume 3 of the *Selected Works of Deng Xiaoping* have shown that our party achieved new and significant developments in several basic theoretical issues on socialism. Having a good command of the overall situation, understanding the law, carrying on the causes of our predecessors, and abandoning outmoded conventions led to the establishment of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, the Marxism of contemporary China.

Zheng Bijian pointed out: Persistently emancipating the mind, seeking truth from facts, taking the Marxist basic theory as the guide, taking practice as the only criterion for testing truth, and continuously creating a new situation constitute the ideological line dominating Volume 3 of the *Selected Works of Deng Xiaoping*. We should persistently emancipate the mind, seek truth from facts, have a keen sense to grasp the pulse and moment of this era, continuously create a new situation in reform, opening up, and the modernization drive, and promote our undertakings to meet the target of this era.

Zheng Bijian said: The 14th party congress decided to take Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics as the party's guiding thought and put forward the strategic task of arming the entire party with this theory. We should further enhance confidence in the science of our great and brand-new undertaking. That is, the party's basic line must be and can be upheld; and the undertaking of building socialism with Chinese characteristics must be and can be successful. The Chinese nation will generate new brilliance based on socialism, and socialism will generate new brilliance with the hard work of the Chinese people. The rejuvenation of socialism is inherently related to the rejuvenation of the Chinese nation.

Gao Dezhān said in his speech: From the perspective of this era and the perspective of history, Comrade Zheng Bijian profoundly expounded the important political and theoretical significance as well as the basic content and essence of Volume 3 of the *Selected Works of Deng Xiaoping* and the important significance in studying this book. The report is theoretically deep, vivid, and realistic and is a very good guide to our study of Volume 3 of the *Selected Works of Deng Xiaoping*. It will play a great promoting role in our effort to profoundly understand new ideas, new viewpoints, and new concepts of Volume 3 of the *Selected Works of Deng Xiaoping*, master its essence, and further intensify Tianjin's study of the book.

Gao Dezhān pointed out: The municipal party committee attaches great importance to the study of Volume 3 of the *Selected Works of Deng Xiaoping*. The vast number of party members, cadres, and ordinary people are very enthusiastic in the study, and this is a good beginning. Through this report meeting, we should further intensify the study throughout the municipality, be persistent and successful in the study, implement to the letter the task of arming the entire party with the theory of building socialism with Chinese characteristics as put forward at the 14th party congress, and better guide and promote the work in all fields of the municipality. Gao Dezhān emphasized four opinions on the study of Volume 3 of the *Selected Works of Deng Xiaoping*. First, during the study, we should make more efforts to read the original book and master its essence through a comprehensive study. In addition, we should closely coordinate the study of Volume 3 of the *Selected Works of Deng Xiaoping* with the study of the "decision of the CPC Central Committee on several questions concerning the establishment of the socialist market economic structure." Through the study, we should become more steadfast and active in implementing the party's basic line and the principles and policies for developing the socialist market economy. Second, the study should be based on the reality in ideology and work. With the study of Volume 3 of the *Selected Works of Deng Xiaoping* as a powerful ideological motivation, we should further emancipate the mind, seek truth from facts, put forward major ideas, adopt significant measures, achieve great breakthroughs, and realize great developments to promote Tianjin's economic construction and other work to a new level. Third, we should do a better job in publicizing the study of Volume 3 of the *Selected Works of Deng Xiaoping*. Fourth, party committees at all levels should regard the study as a major task, assume the responsibility for the study of the next lower level, and pay close attention to it.

More than 1,000 persons attended the report meeting. They were leading comrades of the municipal party committee, people's congress standing committee, government, and CPPCC committee and principal party and government responsible comrades and propaganda department directors of various departments, committees, offices, districts, counties, and bureaus.

### Tianjin Foreign Product Market Begins Business

SK0912070393 Tianjin People's Radio in Mandarin  
2300 GMT 8 Dec 93

[Text] Regarded as a part of the municipal government's foreign commercial and trading project this year, the Tianjin Municipal Foreign Product Market started business on 8 December. This market has been built on the old site of [words indistinct]. After renovations and expansion, it has become a special market covering a total floor space of 10,000 square meters and can accommodate some 1,000 stands. It is the largest center in north China for the collection and distribution of foreign

products. The foreign products managed by this market will all have undergone strict sterilization.

### Tianjin Reports on Contract Grain Procurement

SK0912070293 *Tianjin People's Radio in Mandarin*  
2300 GMT 8 Dec 93

[Summary] As of 8 December, Tianjin had secured 25.56 million kg of contract grain, accounting for 53.81 percent of the contract procurement task.

## Northeast Region

### Activities of Heilongjiang's Sun Weiben Reported

#### Honors Train for Good Service

SK0612102393 *Harbin Heilongjiang People's Radio Network in Mandarin* 1000 GMT 3 Dec 93

[Text] The express trains nos. 17 and 18 under the charge of the Harbin passenger transport section achieved good results in improving railway work styles. Sun Weiben, secretary of the provincial party committee, who recently traveled by the train spoke highly of its work and wrote an inscription to encourage the train personnel to maintain the honor and strive to become an example. Sun Weiben's inscription read: Maintain the Honor, Warmly Provide First-Rate Service, Safeguard Railway Work Styles, and Strive To Become an Example of Railways.

On 30 November after concluding the study session of the Central Party School, comrade Sun Weiben took the passenger train no. 17 to return to Harbin. Functionaries accompanying him inspected the train secretly and saw that the personnel of the work style rectification group performed their duties conscientiously, train attendants wore their name tags when providing service, the sales of the tickets for sleeping berths and the prices of tickets and the foods in the dining car were made public, and passengers boarded the train in an orderly manner. Comrade Sun Weiben said happily: The Harbin Railway Bureau has paid close attention to and carried out solid work for rectifying railway work styles. The service of this train has always been good, and the train has been named as red- banner train for many years. It should maintain the honor.

#### Addresses Rural Work Conference

SK0612025293 *Harbin Heilongjiang People's Radio Network in Mandarin* 1000 GMT 4 Dec 93

[Text] In his speech at the provincial rural work conference that was held on 4 December, Sun Weiben, secretary of the provincial party committee, pointed out: The targets and general ideas for further deepening the rural economic system reform are to focus on stabilizing the rural financial system, cultivating the main body of markets, perfecting the market system, and strengthening macroeconomic regulation and control; to speed

up the pace of rural reform; and to firmly set up a rural economic managerial system that is suitable to the socialist market economy.

Sun Weiben pointed out: First of all, we should stabilize and perfect the rural managerial system, vigorously develop shareholding cooperative enterprises, and cultivate and expand the main body of markets. The system of contracted responsibility by household in which payment is linked to output and the dual managerial system of linking centralized management with decentralized management are the party's basic policies for both rural areas and basic economic systems. So, these two systems must be adhered to for a long period of time. Land contracts defined by the localities should be stabilized and prolonged for another 30 years. The contracts on developmental production, such as cultivation of wasteland, the building of wooded areas, control of sandy areas, and improvement of soil, will be prolonged for 50 years. We should manage the land on an appropriate scale in line with the method of readusting the number of persons but not changing the contracted areas. It is necessary to consolidate ownership rights, to stabilize contract rights, and to enliven the utilization right. According to changes in management conditions, peasants are allowed to sell, lease, mortgage, and share their land utilization rights so that they may solve contradictions between the people and the land on their own in line with the rules of the market and thus increase the benefits gained from land resources.

He said: The shareholding cooperative system is a new, summing-up system which will enable peasants to suit the market mechanism and to speed up the development of the rural economy as well as further key rural economic system reform. At present, we should carry out the shareholding cooperative system among town and township enterprises. In principle, we should adopt the shareholding cooperative system to run town and township enterprises. We should have more than a half of the township- and village-run enterprises carry out the shareholding cooperative system in two years or so. Simultaneously, we should also extend this system to the cropping, breeding, processing, farm and sideline products distribution, and rural social service spheres. Many kinds of economic organizations, universities and colleges, scientific research institutes, and peasants are allowed to become shareholders of township- and village-run enterprises by providing capital, equipment, workshops, technologies, land, and labor. It is necessary to speed up the setup of the socialized service system and gradually work production, management, circulation, and consumption into a coordinated process.

Sun Weiben pointed out that from now on, we should protect farm product prices, speed up the cultivation and establishment of a market system, and create conditions for developing the rural commodity economy.

He said: Starting from next year, our province will reserve the state's fixed grain purchasing quotas. The grain purchasing prices will be fixed according to

changes in the market. The grain will be purchased according to the protective prices when the market prices are lower than the state fixed protective prices. Following this, we should continue to carry out the method of paying extra money to cover the differences between parity prices and negotiated prices and implement the policy of linking the contracted purchase of grain with the supply of fertilizer, diesel oil, and purchase deposits. From now on, we should decontrol the prices of farm and sideline products and the channels for management of farm and sideline products and abolish all kinds of outposts of tax offices so as to provide various kinds of management organizations and the peasants with new favorable opportunities.

Present at the conference were some provincial leaders, including Ma Guoliang, Tian Fengshan, Shan Rongfan, Chen Yunlin, Wang Xianmin, Li Qinglin, Yu Jingtang, Sun Kuiwen, Yang Zhihai, Wang Zongzhang, and Ma Shujie; prefectural, city, and county party committee secretaries; and vice commissioners, vice mayors, and deputy county heads in charge of agriculture; chairmen of the agricultural commissions; leaders of the state farm administrative bureau; and responsible persons of the provincial-level departments concerned.

#### **Attends TA KUNG PAO Symposium**

*SK0712031193 Harbin Heilongjiang People's Radio Network in Mandarin 2200 GMT 6 Dec 93*

[Text] TA KUNG PAO of Hong Kong held a symposium on international market economy information in Harbin on 6 December.

At the symposium, responsible persons of the northeast China office of TA KUNG PAO reported to the participants on the international political and economic information. Present at the symposium were provincial leaders Sun Weiben, Shan Rongfan, Wang Xianmin, and Wang Zongzhang, and responsible comrades of the departments concerned of 14 prefectures and cities in the province.

#### **Heilongjiang Reports Rural Economic Development**

*SK0612123493 Harbin Heilongjiang People's Radio Network in Mandarin 2200 GMT 4 Dec 93*

[Text] Since the Third Plenary Session of the 11th party Central Committee, particularly in the past two years or so, gigantic changes have taken place in the province's agricultural production and the livelihood of the rural people. The agricultural output value increased by 11.4 percent annually, the agricultural (production rate) increased by 14.7 percent annually, and the per capita income of the peasants increased by 8.3 percent annually. The rural areas have basically had sufficient food and clothes. The province registered the fastest increase in developing the rural economy in the past two years. In 1993, the province's total grain output reached 24.1 billion kilograms, setting a historical record. Thus, the

province realized the targets for increasing the total grain output, improving the grain production structure, improving the grain quality, and increasing economic results.

The province has comprehensively developed the diversified economy dominated by animal husbandry. The total output value of the diversified economy accounted for more than 30 percent of the total agricultural output value. The town and township enterprises have been developed rapidly. In the first 10 months of this year, the output value, profits, and taxes realized by the town and township enterprises respectively increased by 68.1 percent, 71.3 percent, and 75.2 percent over the same period of last year. The town and township enterprises have become [words indistinct] of the rural economy.

The province has made great headway in developing the foreign exchange-oriented agriculture. The proportion of farm and sideline products in the foreign export trade volume has reached nearly 30 percent. The province has five farm and sideline products, each creating \$10 million foreign exchange. The per capita income of the peasants was around 1,000 yuan. The increase rate of the per capita income of the peasants exceeded the national average figures for two consecutive years. The increase in the total output value of the rural society reached double digit. The increase in the county-level economy accounted for more than 70 percent of the increased portion of the province's social output value.

#### **Heilongjiang Gold Mine Production Increases**

*SK0712030693 Harbin Heilongjiang People's Radio Network in Mandarin 2200 GMT 4 Dec 93*

[Summary] As of 4 December, (Wulasa) gold mine turned out more than 50,000 liang of gold to rank first among the province's gold mines. (Wulasa) gold mine is one of China's largest open-air gold mines. It has over 50 years of history. This gold mine has carried out the strategy of rejuvenation with science and technology to increase gold production. Since 1990, the gold mine has accomplished 46 technological transformation projects. Gold output has increased by 40 kilograms in the past three years, and the annual economic results amounted to nearly 1 million yuan.

#### **Heilongjiang's Suifenhe Establishes Radio, TV Bureau**

*SK0612111993 Harbin Heilongjiang People's Radio Network in Mandarin 1000 GMT 3 Dec 93*

[Text] Suifenhe city recently decided to abolish the radio and television center and officially establish the radio and television bureau, which will be a government department performing the function of radio and television administration.

After the provincial radio and television work conference held by the provincial party committee and government, Suifenhe city held a standing committee meeting

of the city party committee and an on-the-spot work meeting of mayors to implement the guidelines of the provincial radio and television work conference. It came to understand the important significance in implementing in depth the party's principles and policies, intensifying radio and television propaganda, and strengthening radio and television administration in the new situation of reform and opening up and decided to establish the Suifenhe city radio and television bureau.

On 16 November, the Suifenhe city [words indistinct] commission sent a message to name the radio and television bureau and decide on its size. After this, a name board of this government department was officially fixed to the door, and the city's radio and television undertakings began a new course.

### Jilin Secretary Speaks at Forum for Non-Communists

SK0612025193 Changchun Jilin People's Radio Network in Mandarin 1030 GMT 4 Dec 93

[Text] Yesterday, before the convocation of the second plenary session of the sixth provincial party committee, the provincial party committee invited some responsible persons of democratic parties and the Federation of Industry and Commerce and personages without party affiliation to a forum to solicit their opinions on the work of the provincial party committee. Attending the forum were He Zhukang, secretary; Wang Jinshan and Zhang Yueqi, deputy secretaries; and Su Rong, standing committee member and secretary general of the provincial party committee; and Zhang Tienan, director of the united front work department of the provincial party committee and vice chairman of the provincial committee of the Chinese People's Political Consultative Conference.

Responsible persons of the provincial committees of democratic parties and Federation of Industry and Commerce and and personages without party affiliation, who were invited to the forum, were Wu Shiduo, Zeng Xiaozhen, Li Guotai, Liang Zhiwen, Yan Hongchen, Chen Bingcong, Yuan Baixiong, Li Hongchang, Xu Ruren, (Chen Jingdong), (Zeng Fanxu), and (Mai Weixian).

Comrade He Zhukang chaired the forum. He first briefed the participating comrades on Jilin's work in various fields carried out this year. The participating representatives of democratic parties and Federation of Industry and Commerce and personages without party affiliation took turns giving speeches appraising the work of the province. They held: This year the greatest achievements in Jilin's reform, opening up, and other work in various fields were seen. Under the correct leadership of the provincial party committee and government and with the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, the vast number of cadres and the masses throughout the province have worked hard and achieved notable results in pushing the economy up to a new level

and building a developed border province near the sea. While fully affirming this year's work, they also put forward many good opinions and suggestions on how to implement the decision of the third plenary session of the 14th party Central Committee, accelerate the transformation of the enterprise mechanism, establish a modern enterprise system, facilitate institutional reform in a steady manner, change government functions, actively develop various sectors of the economy, further strengthen the management of the three types of foreign-funded enterprises, continue to consolidate achievements in the anticorruption struggle, and step up efforts in building the spiritual civilization.

He Zhukang and other leading comrades were very pleased to hear this. Comrade He Zhukang said: The opinions are very profound and to the point and will be very conducive to future work of the provincial party committee and the forthcoming second plenary session of the sixth provincial party committee. I extend heartfelt thanks for this on behalf of the provincial party committee.

He said: Next year is the last year for the province to push the economy up to a new level and work in various fields will be even more arduous. We should continue to make economic construction the central task, let the party's basic theory and basic line manifest itself in all work, further accelerate reform, step up efforts to establish the socialist market economy system, thoroughly implement the decision of the third plenary session of the 14th party Central Committee, develop the economy more rapidly, continue the in-depth anticorruption struggle, and ensure smooth progress in reform, opening up, and economic construction.

He Zhukang emphasized: To fulfill the aforementioned tasks, the key lies in strengthening and improving party leadership. Party organizations at all levels in the province should organize a vast number of party members to conscientiously study the *Selected Works of Deng Xiaoping*, arm their minds with Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, unite and rely around the masses, make earnest efforts to do practical work, implement the party's principles and policies to the letter, and lead the people across the province to exert hard and concerted efforts to build a developed border province near the sea.

He urged members of democratic parties and the Federation of Industry and Commerce as well as personages without party affiliation to continue participating in and supporting the work of the party and the government and to play a still greater role in the great cause of rejuvenating Jilin.

Wang Jinshan and Zhang Yueqi, deputy secretaries of the provincial party committee, also spoke at the forum.

**Jilin Reports 'Success' in Rectifying Financial Order**

*SK0812062293 Changchun JILIN RIBAO in Chinese  
24 Nov 93 p 5*

[By Zhang Kaiyu (1728 7030 1342) and Xia Bing (1115 0393); "Jilin Achieved Initial Success in Rectifying Financial Order"]

[Text] Since July this year, banks in our province have thoroughly implemented the guidelines of the national financial work conference, rectified the financial order, strictly abided by financial discipline, and promoted the financial reform. Initial success has been achieved.

Jilin's endeavor to rectify the financial order focused on elimination of wanton inter-bank lending, wanton collection of funds, and wanton investment. By the end of September, funds borrowed in by the banks in the province had declined by 758 million yuan, and those lent out had declined by 1.485 billion yuan. As a result, 727 million yuan of loans in violation of regulations were recovered. Eleven money markets in the province were suspended for rectification. Thanks to efforts to put illicit collection of funds in society under control and strengthen the procedures for screening and approval of funds and the management of interest rate, investment in fixed assets was reduced.

Judging from the withdrawal of currency from circulation, there were distinct characteristics in different periods. From January to September this year, the province registered a net increase of 2.33 billion yuan in the currency put into circulation as compared with the same period last year. Translated, the net amount of currency put into circulation increased by 2.36 billion yuan from January to June as compared with the corresponding period last year, and, from July to September, the province withdrew a net amount of 40 million yuan from circulation as compared with the corresponding period last year. In October alone, over 280 million yuan was withdrawn from circulation as compared with the same month last year. This showed that the inordinately large amount of currency put into circulation was brought under control, macro regulation and control began to play a role, the pressure created by inflation was reduced, and the strains in the supply of funds were eased.

Thanks to the rectification of the financial order, Jilin's economy showed an upturn. In society's total demand, the investment of state-owned units in fixed assets showed an increase of 61.2 percent over the corresponding period last year; commodity retail sales an increase of 18.3 percent; volume of exports an increase of 15.9 percent; total wages of staff members and workers an increase of 15.6 percent to reach 9.36 billion yuan; the cash paid to peasants for purchases of farm and sideline products an increase of 21 percent, or 14 percent when the rail price index was factored in; and the price index of living expense an increase of 15.4 percent. Substantial increase was registered in all fields of total demand.

In total supply, thanks to a good harvest, Jilin's total grain and soybean output may reach 19 billion kg, higher than last year's bumper harvest; the total output value at current prices of the industrial enterprises at and above the township level in the province showed a substantial increase of 15.3 percent; their sales value an increase of 17.1 percent; and the marketing rate of their products was 94.3 percent. In addition, Jilin's local revenue grew by 9.4 percent and expenditure by 7 percent. Bank savings registered a 14.3-percent increase over the corresponding period last year; and loans, an increase of 17.9 percent. Meanwhile, banks provided support to agriculture, and the investment in industrial production and key construction projects also increased.

The province has entered a busy season for purchases and winter storage of farm and sideline products, and large amounts of funds are needed. Therefore, we should reduce fixed asset investment and consumption funds, clear the channels of banks for final accounting, and strengthen management of cash so as to bring under control the currency put into circulation. Monetary departments in the province are strengthening macro regulation and control to thoroughly improve the financial order and facilitate a sustained, rapid, and healthy economic development in the province.

**Jilin Reports Jan-Oct Financial Situation**

*SK0612100393 Changchun Jilin People's Radio Network in Mandarin 1030 GMT 4 Dec 93*

[Text] The following was learned from a financial and monetary news briefing held by the provincial government today. Finance and monetary departments in the province have conscientiously implemented the guidelines of the document no. 6 of the central authorities, emancipated the mind, and deepened reform since the beginning of this year. Aiming at achieving a financial balance, the provincial finance department has exerted great efforts to cultivate financial resources and maintained a certain rate of increase in revenues and expenditures on the basis of developed economy. From January to October this year, Jilin's industrial output value exceeded 56.41 billion yuan, up 13.7 percent from the corresponding period last year; sales value of industrial enterprises totaled 52.85 billion yuan, up 15.3 percent; and volume of retail sales totaled 28.5 billion yuan, up 18.5 percent. Its revenues totaled 4.72 billion yuan, equivalent to 76.7 percent of the annual target and an increase of 650 million yuan, or 15.9 percent, over the corresponding period last year. Expenditures totaled 5.73 billion yuan, equivalent to 71.8 percent of the annual target and an increase of 630 million yuan over the corresponding period last year. The current monetary situation has also become normal. By the end of October, bank savings had increased by 5.39 billion yuan, 1.14 billion yuan less than the increase registered in the corresponding period last year; loans had increased by 6.6 billion yuan, 1.1 billion yuan more than the increase registered in the corresponding period last year; and currency put into circulation had totaled 5.4

billion yuan, 1.49 billion yuan more than the corresponding period last year. In general, the increase in savings was smaller and that in loans larger, and more currency was put into circulation. This helped in the development of the local economy.

### Activities, Remarks of Liaoning's Gu Jinchi

#### Discusses Security Work

SK0812032493 Shenyang LIAONING RIBAO in Chinese 26 Nov 93 p 1

[Text] On 23-24 November, Gu Jinchi, secretary of the provincial party committee, went to the provincial security department, the provincial procuratorate, the provincial court, the provincial state security department, and the provincial armed police forces to inspect their work. On the morning of 24 November, accompanied by Liu Zhenhua, Standing Committee member of the provincial party committee and secretary of the provincial political and legal committee; and Wu Dengyong, deputy secretary general of the provincial party committee, Comrade Gu Jinchi went to the office of the political and legal committee of the provincial party committee and held talks with principal responsible comrades of the provincial-level political and legal departments on the issues of strengthening the awareness of the overall situation and safeguarding social stability.

During the talks, Gu Jinchi asked, in detail, about the situation of the political and legal departments and also talked about some "hot-debated" issues relating to the current social order. Gu Jinchi fully affirmed the work done by the provincial political and legal organs and realistically set forth important opinions on how to carry out the political and legal work in line with the guidelines of the third plenary session of the 14th party Central Committee, make the political and legal work suit the new situation of setting up the socialist market economy, and realistically safeguard social stability. First, the party committees and governments at various levels must persist in the principle of taking a two-hand approach and being tough with both hands and pay high attention to safeguarding social stability. A stable political situation is necessary for deepening reform, expanding the scale of opening up, and speeding up economic development is desired. Without it, there is no guarantee for the work in other spheres. Therefore, safeguarding social stability is not only a sacred duty of the political and legal department but also a great matter of the party committees and governments at various levels. Second, the political and legal departments must enhance the awareness of the overall situation and bring into full play their functions for safeguarding social stability. We should continue to maintain the powerful momentum of dealing strict blows to various kinds of criminal activities, particularly the criminal activities committed by gangs of criminals, so as to ensure that the people have a sense of safety. We should deeply wage the anticorruption struggle, firmly attend to the investigation and handling of major and appalling cases, and ensure the

realization of the target of making achievements in the current stage of the anticorruption struggle as defined by the party Central Committee. We should persist in the special struggle to prohibit and ban the practice of prostitution for a long period of time. Third, we should comprehensively improve social order and mobilize all social forces to safeguard social stability. We cannot only rely on the political and legal departments to safeguard social stability. Only when we fully mobilize the enthusiasm of all social fronts under the unified leadership of the party committees and governments and persistently implement various effective measures for comprehensively improving social order will we be able to effectively eliminate various negative factors and reduce criminal activities.

Comrade Gu Jinchi urged that the political and legal departments should vigorously strengthen the building of their ranks, pay particular attention to the construction of the leading bodies, realistically correct the unhealthy trends within trades and the internal corrosive phenomena, strive to foster a good image for the ranks of political and legal workers. The political and legal committees of the party committees at various levels should harmoniously guide the work of the political and legal departments, unite the political and legal organs into one, and ceaselessly make new contributions to safeguarding social stability.

#### Views Nonparty Cadre Training

SK0512082393 Shenyang Liaoning People's Radio Network in Mandarin 1000 GMT 4 Dec 93

[Text] On 1 December Gu Jinchi, secretary of the provincial party committee, made an inspection tour to the provincial socialist institute [she hui zhu yi xue yuan]. Comrade Gu Jinchi said: A good job should be done in operating the socialist institutes throughout the province so as to train more outstanding cadres for various democratic parties through the courses of these institutes and to train more nonparty leading cadres who conform with the four requirements for the country to promote the consolidation and development of the systems of multiparty cooperation and political consultation.

Comrade Gu Jinchi said: The leading personnel of older generation of democratic parties have had the glorious history of long-standing cooperation with our party. They have obtained intimate knowledge on multiparty cooperation. The socialist institutes should invite more such leading personnel to give lectures on the theories of united front work and on principles and policies so as to enrich or perfect the teaching contents. They should have these leading personnel pass on their experience as well as give help and set an example in training the leading personnel of younger generation of democratic parties and the representative personages of various circles so as to carry forward from generation to generation the fine tradition of multiparty cooperation and political consultation under the leadership of our party.

**Forum Discusses Fraud in Compiling Liaoning's Statistics**

*SK0812072693 Shenyang Liaoning People's Radio Network in Mandarin 2300 GMT 7 Dec 93*

[Text] Blows dealt on the fake commodities in markets, so bitterly hated by the people, have drawn the extensive attention of the society as a whole. The blow dealt to the cases of fraudulence in statistical work, however, has constituted a new topic.

On 7 December, the financial and economic committee under the provincial people's congress standing committee and the provincial statistical bureau jointly sponsored a forum to mark the 10th anniversary of the issuance of the PRC's statistical law. During the forum, the participating representatives put forward that statistical work should also be carried out soundly. The 10th anniversary of the issuance of the PRC's statistical law will fall on 8 December. Over the past decade, our province has scored certain achievements in implementing the statistical law. However, problems encountered by the province in its statistical work have also been numerous.

Leading personnel, specialists, and scholars participating at the forum generally contended that except for the influence of low quality statistical personnel and some unscientific methods in coming up with the incorrect or false statistical figures, other factors such as some leading cadres not being upright in ideology and not adopting an adequate attitude toward the relationship between their work achievements and the statistical figure may have been involved. They often report only the good news and not the bad and revise at will, statistical figures in the reports submitted by their subordinate units. They also allow the practice of raising the quota at each level. Thus, statistical figures originally compiled in a scientific way has become the means of deceiving their superiors and deluding their subordinates, seeking personal prestige, and grabbing profits.

The participating representatives contended that acts violating the statistical law and principles are a manifestation of passive resistance and corruption.

Participating representatives also contended that as our country is turning its planned economy into a market one, statistical work is becoming particularly important for the governmental departments to conduct macro readjustment and control. Thus, it is imperative that propaganda work for the statistical law be conducted and the people's sense of laws be enhanced. In particular, leading cadres should take the lead in studying the law and abiding by the law. They should refrain from exerting administrative interference to the statistical work and ensure the duties and rights of statistical organs and personnel not be violated. Meanwhile, efforts should be made to deal strict blows to personnel responsible for the false, deceitful figures in the statistical work.

Attending the forum and voicing their opinions were Gao Jizhong, vice chairman of the provincial people's congress standing committee, and Guo Tingbiao, vice governor of the province.

**Liaoning CPPCC Official Liu Qingkui Dies 2 Dec**

*SK0812032393 Shenyang Liaoning People's Radio Network in Mandarin 1000 GMT 6 Dec 93*

[Text] After all lifesaving efforts proved ineffective, Comrade Liu Qingkui, 61, died of illness in Shenyang at 0515 on 2 December. During his life, he held the position of member of the Liaoning Provincial CPC Committee, member of the Eighth National Chinese People's Political Consultative Conference [CPPCC] Committee, and vice chairman of the Seventh Liaoning Provincial CPPCC Committee.

Going to the provincial people's hospital to pay last respects on the morning of 6 December were leading personnel from the provincial party committee, the provincial people's congress, the provincial people's government, and the provincial CPPCC committee; responsible comrades from the relevant units of the province and various cities and from the relevant communities of various democratic parties; and comrades from the organs under the provincial CPPCC committee and the united front work department of the provincial party committee.

Comrade Liu Qingkui was engaged in united front work for a long time and took the post of director of the united front work department under the provincial party committee in 1985. He was transferred from the provincial party committee to the provincial CPPCC committee in 1993.

Comrade Liu Qingkui set strict demands for himself during his life time, lived an arduous and thrifty life, and never sought privileges. He also hated corruption bitterly and set an example for subordinate cadres by being just and performing his official duties honestly. He worked honestly and industriously, willingly bore the burdens of office, was modest and prudent, and was amiable and easy to approach. Comrade Liu Qingkui's was a revolutionary life and a life of devoting his energies to the undertakings of the party's united front work.

**Northwest Region****Xinjiang Telecommunications Regulations**

*OW0612050593 Urumqi XINJIANG RIBAO in Chinese 19 Oct 93 p 4*

[Bulletin No. 8-5 of the Xinjiang Uygur Autonomous Regional People's Congress Standing Committee, dated 25 September 1993: "The Xinjiang Uygur Autonomous Region's Postal and Telecommunications Regulations Were Approved on 25 September 1993 by the Fourth Session of the Eighth Xinjiang Autonomous Regional

People's Congress Standing Committee, and Are Hereby Promulgated; These Regulations Go Into Effect Immediately"]

[Text] **Chapter I: General Principles**

**Article 1** Based on the "PRC Postal Service Law" and other relevant laws and regulations, and in the light of the reality in Xinjiang, these regulations are formulated to promote the development of Xinjiang's postal and telecommunications services, to improve the quality of the region's postal and telecommunications services, and to meet the requirements of Xinjiang's economic and social development, and reform and opening up.

**Article 2** In developing the postal and telecommunications service, we should follow the principle of formulating an overall plan, coordinating the efforts of concerned departments and regions, assigning responsibility to authorities at various levels, and pooling the efforts of all concerned.

Based on the principle that those who invest should benefit, we should encourage units, collectives, and individuals to raise funds using various means to develop postal and telecommunications services in urban and rural areas.

**Article 3** The Xinjiang Autonomous Regional Post and Telecommunications Bureau is the department in charge of the region's postal and telecommunications work. The bureau is also responsible for the management of the region's exclusive communications networks.

With the authorization of the Autonomous Regional Post and Telecommunications Bureau and under the leadership of the people's government at respective levels, prefectural, city, and county post and telecommunications offices (post offices and telecommunications offices) manage the postal and telecommunications work of the local administrative districts and carry out communications management.

**Article 4** The people's governments at all levels should strengthen their leadership in postal and telecommunications work, include postal and telecommunications development in their economic and social development programs, and assume the responsibility for organizing implementation work. Localities' overall plans for urban and rural construction, and their annual construction programs, must include specialized postal and telecommunications programs and construction plans.

All departments concerned should support the construction and development of postal and telecommunications work.

**Article 5** Post and telecommunications departments should provide quick, accurate, safe, and convenient services to the public, assure customers' legitimate rights and interests, and subject themselves to customer supervision.

**Article 6** Every unit and individual has an obligation to protect postal and telecommunications facilities and has the right to stop and report acts of sabotage to postal and telecommunications facilities.

**Chapter II: Postal and Telecommunications Construction**

**Article 7** The autonomous regional, prefectural, city, and county (city) people's governments and post and telecommunications departments are respectively responsible for the construction of communications trunk lines linking Urumqi to all prefectures and cities; the communications lines linking prefectures and cities to counties (cities); the communications lines linking counties (cities) to counties; and the communications facilities linking counties (cities) to townships and towns. Post and telecommunications departments are responsible for organizing the implementation of specific construction work.

Local prefectural, city, county (city), authorities and post and telecommunications departments are responsible for the construction of buildings to house telephone and post and telecommunications branches (offices), and other post and telecommunications facilities in cities. Local post and telecommunications departments are responsible for organizing the implementation of construction work.

**Article 8** We should place importance on and step up the construction and development of postal and telecommunications work in rural and pastoral areas.

Township and town post and telecommunications branches (offices) are branches of county (city) post and telecommunications bureaus. Post and telecommunications departments are responsible for postal and telecommunications construction in townships and towns, and local township or town governments should provide necessary support and assistance. County, township, and village authorities are responsible for postal and telecommunications construction at and below the township and town level, and local post and telecommunications departments should provide necessary support and assistance.

**Article 9** In newly-developed areas and reconstructed areas in cities, industrial and mining areas, and small residential areas, local construction departments should select locations for the construction of post and telecommunications bureaus (offices) according to local urban development planning and the requirements of building post and telecommunications points. Construction is to be carried out by local post and telecommunications departments.

Telephone lines and mailboxes (pillar boxes) should be installed in new, reconstructed, and the expanded parts of public buildings and multi-story apartments, or spaces should be reserved for this purpose.

To satisfy communications and maintenance needs of multi-story buildings, a room should be built on the ground floor of each building for the installation of connectors and splitters for telephone lines. Associated expenses should be shared by units using the facility.

Expenses needed for the construction of the aforementioned communications facilities should be included in the overall budget for the entire construction project. The standards of the design of these facilities are to be jointly established by the autonomous region's construction department and post and telecommunications department or by units authorized by these departments. These standards are to be incorporated in the design of the entire construction project and listed as items to be examined for acceptance upon completion. Concerned post and telecommunications departments should take part in examining the project for acceptance. Concerned construction departments should instruct responsible units to make up the building of post and telecommunications facilities or to make spaces available for these facilities in new construction projects if such facilities are not built or spaces are not reserved for such facilities when the projects are completed.

**Article 10** In constructing highways, bridges, and tunnels, spaces should be reserved for telecommunications lines according to local postal and telecommunications construction planning and in consultation with local post and telecommunications departments. Associated expenses should be borne by local post and telecommunications departments.

If telecommunications lines passing through houses, bridges, or tunnels affect the project's structure or its applicability, concerned post and telecommunications departments should pay incurred expenses to units who have the property rights over the project.

If digging of roads is required for installing telecommunications lines, concerned post and telecommunications departments should submit an application and project planning to concerned authorities; work should start after the application and planning are approved. Expenses for repairing roads should be borne by concerned post and telecommunications departments.

**Article 11** Posts and telecommunications departments shall comply with urban and rural construction plans when erecting poles, burying electric cables, and establishing steel towers and relay stations. Under the prerequisite of maintaining a rational alignment for circuits, they should strive to conserve land-use. Land-use shall be handled in accordance with relevant state and autonomous region regulations. Compensation shall be paid in accordance with stipulations if young crops, forest, and buildings on the ground are damaged.

**Article 12** In constructing public and exclusive communications networks, it is necessary to draw up an overall plan, coordinate development, and propose and encourage joint construction.

Apart from military, railway, oil pipeline, and power regulatory departments that have exceptional needs, other departments and units shall establish exclusive communications networks. If posts and telecommunications departments can supply them with electrical circuits, they shall introduce a leasing method. If posts and telecommunications departments cannot supply them with electrical circuits, these departments shall jointly construct the networks with posts and telecommunications departments on the principle of mutual benefit, or construct the networks on their own with the approval of the autonomous region's principal posts and telecommunications department.

**Article 13** New, expanded, and reconstructed exclusive wireless communications networks shall first be submitted to the autonomous region's principal telecommunications department, or its authorized unit, for inspection before they are submitted to the radio control department for examination and approval.

**Article 14** The design and construction of posts and telecommunications projects shall be open to public bidding and fair competition. State-owned, collective-owned, and private enterprises with construction quality certificates may contract medium and small communications circuit projects and urban telephone line projects.

**Article 15** The autonomous region's principal posts and telecommunications department, or its authorized unit, shall supervise and control the quality of posts and telecommunications construction projects. Apart from those separately stipulated by the state, no work will start on a posts and telecommunications construction project until quality supervision procedures have been completed. If work on a posts and telecommunications construction project is finished, but it has not been checked and accepted by posts and telecommunications project quality inspection center, it shall not be allowed to operate.

### Chapter III: The Management of Posts and Telecommunications Work

**Article 16** Exclusive communications networks shall be controlled by the autonomous region's principal posts and telecommunications department, or its authorized unit.

Upon examination and approval by the department, exclusive communications networks may operate some public businesses. However, relevant procedures for certificates (licenses) must be completed.

**Article 17** Exclusive communications networks that need to use public communications networks should apply for approval from the autonomous region's principal posts and telecommunications department, or its authorized unit. Terminal facilities that are used in public communications networks shall comply with relevant state technical standards and models chosen by the autonomous

region's principal posts and telecommunications department for use in its networks.

**Article 18** Posts and telecommunications departments shall operate the following businesses:

1. delivery of mail and other mail items;
2. newspapers distribution, as well as postal savings and postal remittance services;
3. stamp distribution and production of collectors' stamps;
4. long-distance telephone calls; telegrams; city telephones; wireless mobile telephones; wireless paging; beeper services; data transmission; facsimiles; and local state-run, rural telephone services;
5. rental of telecommunications circuits and facilities, and repairs and maintenance services;
6. the compilation and publication of posts and telecommunications listings for telephone numbers and postal codes;
7. other posts and telecommunications business stipulated by the state.

**Article 19** Units or individuals with conditions may operate the following posts and telecommunications businesses on the approval of the posts and telecommunications department:

1. express delivery, commercial parcels delivery, and distribution of newspapers and magazines;
2. wireless paging, group wireless mobile telephone services, beeper services, telephone services, electronic information; and rural telephone exchange services;
3. production, sales, and maintenance of communications terminal facilities as well as installation and servicing of telephones and facsimile machines.

**Article 20** Units or individuals with conditions apart from posts and telecommunications departments, shall be supported and encouraged to act as agents for posts and telecommunications services for services such as mail, parcels, remittances, city telephones, toll telephones, and telegrams. The posts and telecommunications department shall be responsible for the training of agents as well as offer them business studies, publicity materials, and business bookkeeping.

**Article 21** Units and individuals who operate or act as agents for posts and telecommunications business shall implement uniform rules and regulations as well as technical and fee standards for the business, and receive management, guidance, and supervision by the posts and telecommunications department.

**Article 22** Envelopes used for communications shall be in accordance with state standards and printed in the Uygur and Chinese languages. The autonomous region's

principal posts and telecommunications department, or its authorized unit, shall supervise the production of envelopes. The production and sales of envelopes shall not be allowed without such supervision.

#### **Chapter IV: Protection of Telecommunications Freedom and Privacy**

**Article 23** A citizen's telecommunications freedom and privacy shall be protected by law. Telecommunications messages may only be inspected, through the proper legal procedures, by public security, state security, or procuratorial organs at or above the county level for state security or criminal investigation purposes, and no organizations or individuals shall violate a citizen's telecommunications freedom and privacy under whatever pretext.

**Article 24** When customs and quarantine departments control and inspect postal goods or quarantined postal material according to law, they shall make sure that delivery is not delayed. When relevant department personnel detain, seal up, or confiscate international postal goods, or destroy postal material according to law, they shall issue notices on the shifts they work. They shall inform relevant postal organs within 24 hours of the outcome of their inspections on postal goods or matters awaiting inspection and clearance.

**Article 25** Post and telecommunications departments and their staff shall closely guard details of how their customers utilize postal and telecommunications services and the latter's telecommunications secret. They shall not impart information about how their customers utilize postal and telecommunications services to any units or individuals unless the law states otherwise.

Department personnel such as those working in offices which handle incoming and outgoing mails and telephone switchboard rooms in organs, groups, enterprises, institutions, and residential areas shall be responsible for speedy, accurate, and complete delivery of mails, newspapers, magazines, telephone messages, and telegrams, as well as for protecting relevant secret.

They shall not hide, destroy, or secretly open mails or telegrams; eavesdrop on telephone conversations; or steal stamps or other postage receipts from other people's mails.

**Article 26** Users who relay secret state information through telecommunications shall themselves be responsible for taking measures to protect their secret. The use of plain codes or secret codes not yet examined and approved by relevant state organizations to transmit state secret is prohibited.

Postal and telecommunications departments reserve the right to refuse or stop delivery of public telegrams or facsimiles which endanger state security, violate state laws, or jeopardize public security, or whose contents offend public decency.

**Article 27** Foreign organizations and nationals shall comply with provisions on the safety and secrecy of telecommunications technologies written in the laws and statutes of the People's Republic of China when setting up telecommunications facilities in our region, or when utilizing our postal and telecommunications services.

#### Chapter V: Posts and Telecommunications Services

**Article 28** Posts and telecommunications departments shall use the spoken and written Uygur and Chinese languages when providing services to customers; posts and telecommunications departments in autonomous prefectures and counties shall use the spoken and written languages commonly used in their localities. Posts and telecommunications departments shall actively create conditions to provide foreign-language services to customers who use foreign languages.

**Article 29** Posts and telecommunications departments shall strengthen the political-ideological education of their employees and shall provide them with vocational and spoken and written Uygur- and Chinese-language training, paying particular attention to training employees of minority nationalities to raise their standards and improve their service qualities.

**Article 30** Posts and telecommunications personnel must act in accordance with the law, be devoted to and honest in performing their official duties, observe professional ethics, and provide quality services. They shall not refuse to handle posts and telecommunications businesses within their jurisdictions according to regulations; force customers to use certain posts and telecommunications services; be behind in remittance payments or artificially delay the delivery of mail, telegrams, telephone calls, and facsimiles; arbitrarily terminate telecommunications services to customers; change the fees charged for postal and telecommunications services without authorization; or use the opportunity of installing, moving, or repairing telephones or providing other posts and telecommunications services to bend the law for personal gain, make things difficult for customers, or extort money from them.

**Article 31** Posts and telecommunications departments shall set up postal kiosks, newspaper stands, and post-boxes at places convenient to the masses or provide mobile services to them. The departments concerned shall facilitate the selection and use of land and routes for such purposes.

Posts and telecommunications departments shall put up prominent signs in their business offices and publish their office hours, business categories, and fees. They shall indicate mail collection time and frequencies on the postboxes.

**Article 32** Units newly established, relocated, temporarily set up, or renamed, as well as units of newly constructed housing areas (apartments), shall submit a request for posts and telecommunications services or for

the establishment of posts and telecommunications facilities and go through the necessary procedures at the local posts and telecommunications department. Customers shall take responsibility for the delay of mail and telecommunications services if they fail to submit the applications.

Posts and telecommunications departments shall process applications submitted by customers requesting posts and telecommunications services in accordance with the regulations and shall provide prompt services. They shall give priority to posts and telecommunications needs related to disaster relief and major political, economic, and diplomatic activities.

**Article 33** Posts and telecommunications departments shall not distribute and sell publications published without the approval of the department in charge of publications or those specifically banned by it. The use of postal transportation means for smuggling or other criminal activities is strictly forbidden.

**Article 34** Posts and telecommunications departments shall not force customers to purchase a given type of telecommunications terminal equipment at designated locations. They shall install and maintain any type of telecommunications terminal equipment conforming with state standards or recommended by the regional department in charge of posts and telecommunications; and they shall not restrict its use under any pretext.

**Article 35** Posts and telecommunications departments shall install telephones for customers within a prescribed period after collecting the installation fee, and they shall pay interest on the collected installation fee if they fail to install the telephone within the prescribed period.

Posts and telecommunications departments shall repair and restore telephone services within a prescribed period if the interruption of services is caused by the departments; if the departments are unable to repair and restore telephone services for any reason, they shall inform the customer and shall reduce the charges for the period during which the service is interrupted.

Posts and telecommunications departments shall make public the standards for installing and repairing telephones and the time required to do so.

**Article 36** To receive customers' supervision, posts and telecommunications departments shall set up customers supervision telephones and suggestion books (boxes), receive customers' letters and visits, and handle and investigate reports and petitions from customers related to the quality of posts and telecommunications service. They shall respond to the people making the report or petition regarding the action taken within one month upon receipt of the report or petition.

**Chapter VI: Guarantee of Posts and Telecommunications**

**Article 37** The transportation sectors of railways, roads, and civil aviation shall guarantee priority to mail transportation. Train stations and airports shall provide regular work places and access for mail handling and storage.

**Article 38** When mail transportation, delivery, projects, and emergency vehicles with exclusive symbols of posts and telecommunications need to pass through closed roads or park in no-parking places in the course of carrying out their duties, they may do so with permits issued by public security offices. When the road is congested or blocked due to traffic inspections, the public security traffic control department shall give priority to or assist these vehicles in passing. When these vehicles violate the law, apart from the exceptional situation where a driver is found to be unsuitable to continue driving, public security traffic control personnel shall allow a driver to continue after recording the incident. The matter of the driver shall be handled accordingly after he completes his duties. The public security traffic control department shall promptly report to the posts and telecommunications department a driver who is not allowed to continue driving.

**Article 39** The power department shall guarantee the power supply for engine rooms and facilities of posts and telecommunications work as well as mail-handling centers as category I consumers.

**Article 40** No units or individuals shall illegally block, inspect, and forcibly ride on posts and telecommunications vehicles; illegally retain, open, and inspect mail and telegrams; harass the order of posts and telecommunications service locations; and hamper posts and telecommunications personnel in carrying out their duties.

**Article 41** People's governments at all levels shall strengthen their leadership in protecting telecommunications facilities. They shall hold frequent activities to publicize and educate the people on the need to protect telecommunications facilities, mobilize units in areas where telecommunications facilities are situated to establish a sound responsibility system for protecting telecommunications facilities, and jointly guard these facilities. They should strengthen security checks and inspections of telecommunications facilities to ensure efficient communications services.

When telecommunications facilities are damaged by natural disasters, people's governments at all levels shall promptly mobilize forces to assist telecommunications maintenance departments with emergency repairs.

Public security and judicial offices shall promptly crack cases involving the destruction of telecommunications facilities and shall severely crack down on criminal activities that destroy telecommunications facilities.

**Article 42** The following activities that endanger the security of posts and telecommunications facilities are prohibited:

1. damaging postboxes, unmanned repeater stations, microwave towers, public telephone booths, and information boxes;
2. tying animals to as well as hanging lines and items on telecommunications facilities such as electric poles, stay wires, towers, marking stakes, and piles;
3. excavating earth within five meters of electric poles and stays or within 10 meters of unmanned repeater stations and microwave towers; or erecting buildings and sheds within two meters from both sides of elevated power lines and antenna areas;
4. erecting buildings and sheds within one meter on the ground where electric cables are buried; or excavating earth, constructing facilities for human excrement, digging trenches and wells, as well as piling and discarding corrosive goods within three meters of the facilities;
5. damaging or stealing electric poles, power lines, cables, optical cables, power insulators, stays, antennae, towers, as well as facilities such as carrier stations, microwave stations, and radio stations;
6. planting trees within two meters on both sides of elevated lines as well as of underground cables or cable conduits in the countryside, or within 0.75 meters of such facilities within cities;
7. carrying out kilning and explosions, or piling large and heavy things, flammable, and explosive items within the limit that endangers the safety of telecommunications lines;
8. excavating sand and carrying out explosions in waters which endanger the safety of transriver cables;
9. other activities that endanger the safety of posts and telecommunications facilities.

**Article 43** When trees affect the safety of telecommunications circuits, telecommunications maintenance workers may trim them to eliminate the interference. If the interference cannot be removed after trimming or through other technical treatment, and the trees must be cut or relocated, or in the case where trees must be cut to erect telecommunications lines, the posts and telecommunications department shall, in accordance with relevant laws and regulations, discuss the matter with the principal department of the forestry authorities and with the trees' owner to settle the problem. The posts and telecommunications department shall compensate them for their losses in accordance with the regulations.

**Article 44** Approval must first be obtained from the posts and telecommunications department, effective preventive measures must be taken, and the corresponding

expenses must be paid before undertaking the following activities that may affect the safety of posts and telecommunications facilities:

1. removing and dismantling posts and telecommunications facilities or altering the telecommunications setups because of construction;
2. building new or reconstructed roads, railways, bridges, tunnels, houses, and farmland water conservation projects as well as laying pipelines and clearing rivers;
3. erecting power-transmission, radio lines, power-generating, and broadcasting facilities;
4. dumping corrosive liquids and stockpiling waste materials;
5. constructing new high-rise buildings within the space controlled under the state's grade one and grade two microwave trunk line passageways;
6. other activities that may affect the safety of posts and telecommunications facilities.

**Article 45** When applying for land use and going through procedures for building microwave telecommunications and other posts and telecommunications facilities, posts and telecommunications departments shall report to the department in charge of construction and to the other relevant departments the area required for protecting the telecommunications facilities and the kind of protection required. The departments concerned shall make a decision after reviewing the application and report. The department concerned shall make a decision regarding the application to construct new buildings in a protected area after reviewing the application on the basis of the protection requirements submitted by the posts and telecommunications departments.

**Article 46** The procurement of copper, aluminum, copper-covered steel, iron wire, plastic cable, and other used and surplus telecommunications equipment and materials shall be carried out at designated points. Procuring used and surplus telecommunications equipment or illegally dissolved telecommunications equipment from individuals is prohibited. When selling used and surplus telecommunications equipment, enterprises and establishments shall produce official documents and the identification cards of the persons making the transaction; the procuring stations (points) shall, for purposes of examination and verification, record the name of the unit selling the equipment, the identification number of the persons making the transaction, and the name and quantities of the goods procured.

Upon discovering suspicious persons selling telecommunications equipment, stations procuring used and surplus material shall promptly report them to the public security organ and shall take possession of the equipment. Concealing the fact and sheltering the violators are not permitted.

**Article 47** Fabricating or counterfeiting posts and telecommunications labels, uniforms, stamps, folders, bags, and other goods used exclusively for posts and telecommunications purposes is strictly prohibited.

#### Chapter VII: Rewards and Punishments

**Article 48** Units and individuals who perform one of the following acts in enforcing these regulations shall be commended and rewarded by the people's government or the posts and telecommunications department:

1. Making outstanding contributions to building posts and telecommunications facilities;
2. Performing outstandingly in posts and telecommunications work and in using more than two written and spoken languages to conduct business;
3. Discovering and promptly reporting or removing potential threats to posts and telecommunications facilities;
4. Performing outstandingly in assisting posts and telecommunications departments in safeguarding and repairing posts and telecommunications facilities;
5. Stopping or reporting actions concerning destroying, stealing, or sabotaging posts and telecommunications facilities;
6. Stopping or reporting the use of posts and telecommunications equipment to engage in criminal activities;
7. Making outstanding contributions in other fields.

**Article 49** The regional department in charge of posts and telecommunications or its authorized units shall confiscate income and goods from those who violated Article 22 of these regulations; The regional department in charge of posts and telecommunications or its authorized units may also impose fines on the violators.

**Article 50** The regional department in charge of posts and telecommunications or its authorized units shall order those who damage posts and telecommunications facilities and disrupt communications in violation of the provisions of Articles 40, 42, and 44 to assume the cost of repairs and to pay compensation for the losses caused by the disruption of communications, and they may also impose fines on the violators. Those who violated provisions of public order regulations shall be punished by public security organs in accordance with the "Regulations Governing Punishment for Offenses Against Public Order"; and those whose behavior constitutes a crime shall be investigated in accordance with the law to determine their criminal responsibility.

The regional department in charge of posts and telecommunications or its authorized units shall send a written notice to those who violated Paragraphs 3 and 4 of Article 42 ordering them to restore the places to their original condition.

**Article 51** Administrative departments for industry and commerce shall impound used and surplus telecommunications equipment illegally procured and dissolved in violation of Article 46, confiscate the illegal income, and impose a fine; they may also order violators to close down for rectification and may withdraw their business licenses. Those who violate provisions of public order regulations shall be punished by public security organs in accordance with the "Regulations Governing Punishment for Offenses Against Public Order"; those whose behavior constitutes a crime shall be investigated in accordance with the law to determine their criminal responsibility.

**Article 52** The regional department in charge of posts and telecommunications or its authorized units shall confiscate the illegal income and goods from those who violate the provisions of Article 47 and shall impose a fine on the violators.

**Article 53** A posts and telecommunications unit or its supervising department shall mete out administrative punishments on its workers for violating Articles 25 and 30, the second paragraph of Article 32, and Articles 33, 34, and 35; those who caused losses to customers shall pay compensation in accordance with the relevant state regulations. Those who violated provisions of public order regulations shall be punished by public security organs in accordance with the "Regulations Governing Punishment for Offenses Against Public Order"; those

whose behavior constitutes a crime shall be investigated in accordance with the law to determine their criminal responsibility.

**Article 54** A party who does not agree with the administrative decision made by an organ shall, within 15 days upon receipt of the penalty notice, request the next higher organ to review the case. A party who does not agree with the decision of the review may, within 15 days upon receipt of the decision notice, bring suit at the people's court. A party may also bring suit at the people's court directly. The organ making the penalty decision may request the people's court to apply enforcement on those who fail to request review or bring suit within the prescribed period and yet refuse to follow the penalty decision.

Those who do not agree with the punishment meted out on the basis of the "Regulations Governing Punishment for Offenses Against Public Order" shall be handled in accordance with the regulations.

#### **Chapter VIII: Supplementary Provisions**

**Article 55** The regional department in charge of posts and telecommunications shall be responsible for interpreting specific issues arising from applying these regulations.

**Article 56** These regulations shall take effect on the date of their promulgation.

**Beijing, Taipei to Discuss Repatriating Hijackers**

OW0912064193 Beijing XINHUA in English 0630  
GMT 9 Dec 93

[Text] Beijing, December 9 (XINHUA)—The Chinese mainland has agreed to hold talks with Taiwan on the issues of repatriating hijackers, handling fishing disputes and repatriating illegal migrants, according to the Association for Relations Across the Taiwan Straits (ARATS).

ARATS, in a reply to a letter from the Taiwan-based Straits Exchange Foundation (SEF) today, said a negotiating group, headed by Deputy Secretary of ARATS Sun

Yafu, is scheduled to fly to Taiwan for a working meeting with SEF to be held from December 18 to 23.

In addition to the issues of hijacker repatriation and fishing disputes, the talks will cover repatriation of people from either side who crossed the straits in violation of the relevant regulations.

In order to achieve successful talks and to reach agreement, ARATS hopes that both sides would avoid political and legal problems and look for the best solution which both sides can accept.

**ARATS Accepts Invitation For Cross-Strait Talks**

*OW0912092593 Taipei CNA in English 0814 GMT 9 Dec 93*

[By Sofia Wu]

[Text] Taipei, Dec. 9 (CNA)—The Beijing-based Association for Relations Across the Taiwan Strait (ARATS) has agreed to send delegates to Taipei for a new round of cross-strait talks, a Straits Exchange Foundation (SEF) spokesman said Thursday [9 December].

SEF Deputy Secretary-General Shih Chi-Ping said the foundation received a message from its mainland counterpart early in the morning suggesting that the SEF-proposed Taipei meeting be held Dec. 18-23.

ARATS Deputy Secretary-General Sun Yafu will head the mainland delegation to Taipei, Shih noted.

Both sides will continue discussion of repatriation of illegal mainland immigrants and ways to resolve fishing disputes during the Taipei meeting, Shih reported. Those issues had been discussed in previous rounds of cross-strait talks, but no agreements were reached.

"ARATS officials also hope to discuss repatriation of mainland hijackers," Shih said. Eight mainland passenger planes have been hijacked to Taiwan since April. Both Taipei and Beijing hope to find effective ways to prevent any future hijackings, Shih added.

It will be the first SEF-ARATS meeting in Taipei since Taiwan began to allow civilian cross-strait exchanges in the late 1980s. Previous cross-strait talks were held either on the mainland or in a neutral location such as Hong Kong or Singapore.

Both SEF and ARATS are semi-official organizations founded by their respective governments to handle cross-strait exchanges in the absence of official contacts.

**Farmers' Associations Oppose Rice Imports**

*OW0912081193 Taipei China Broadcasting Corporation News Network in Mandarin 2300 GMT 9 Dec 93*

[From the "Hookup" program]

[Text] In order to express its firm stand against the opening of the rice market, the Taiwan Provincial Farmers' Association yesterday contacted various units and decided that leaders of farmers' associations at and above county and city level will gather in Taipei City today to make appeals to the Legislative Yuan, the Ministry of Economic Affairs and the Agricultural Commission of the Executive Yuan respectively, and call on the Government not to overlook agriculture and sacrifice farmers' interests and benefits for the purpose of joining the General Agreement on Tariffs and Trade [GATT].

**President Li Meets Guatemalan Speaker**

*OW0912093793 Taipei CNA in English 0806 GMT 9 Dec 93*

[By Y. C. Tsai]

[Text] Taipei, Dec. 9 (CNA)—President Li Teng-hui Thursday [9 December] said that the Republic of China [ROC] on Taiwan is willing to lend a helping hand to Guatemala's economic development.

In a meeting with Speaker Jose Fernando Lobo Dubon of the Guatemalan Congress, the president noted that the continued development of Guatemala would help cement the friendship between the two countries.

The ROC and Guatemala have worked together on various cooperative projects, he pointed out, adding an increasing number of exchanges between officials and peoples of the two countries would further promote ties.

Lobo reaffirmed his country's support for the ROC, saying Guatemala admires the achievements the ROC has made over the past four decades and hopes to learn from the successful experience.

Guatemala looks forward to the continued strengthening of ties with the ROC, he stressed.

The Guatemalan speaker was accompanied during the meeting by Vice Foreign Affairs Minister Fang Chin-yen.

Lobo will leave Taipei Thursday evening after a six-day visit.

**Former Mongolian Premier Visits; Views Cooperation**

*OW0712133793 Taipei CNA in English 0814 GMT 7 Dec 93*

[By Lilian Wu]

[Text] Taipei, Nov. 7 (CNA)—Former Mongolian Prime Minister D. Byambasuren called on Chang Chun-yi, chairman of the cabinet-level Mongolian & Tibetan Affairs Commission, Tuesday [7 December] to discuss how to increase economic cooperation between Taiwan and Mongolia.

Byambasuren said he has great admiration for Taiwan's economic development and hoped to learn from its experience.

He said, however, a plan to set up a Taiwan office in Ulaanbaatar, Mongolia was aborted for fear of antagonizing Mainland China.

The former prime minister also explained reports about the alleged for-profit sale of rice donated to Mongolia by Taiwan. He explained that the money he received from the sales went to the Mongolian people and not into his own pockets.

Four shipments of rice have been delivered to Mongolia as part of an assistance program to people there. Taiwan merchants allegedly became involved in taking kick-backs when they delivered the rice, which made headlines in local newspapers.

A Red Cross official from Mongolia explained in August that Byambasuren sold part of the rice to help ease

financial difficulties in the country. The rice was sold to the general public at 50 percent of its market cost, the official explained.

Byambasuren stepped down from the premiership last year, but he is still an influential figure in Mongolia. He now heads the Mongolian Development Foundation.

He arrived in Taiwan Saturday and will stay until December 11.

## Hong Kong

### Hurd Newspaper Article Explains UK Actions

HK0912033293 Hong Kong SOUTH CHINA MORNING POST in English 9 Dec 93 pp 1, 5

[“Exclusive” SOUTH CHINA MORNING POST article by UK Foreign Secretary Douglas Hurd]

[Text] Hong Kong is special—the most exciting place that I visit. Our task in the remaining years of British sovereignty is to do all we can to preserve those things that have made Hong Kong so successful. That is an important responsibility, spelt out in the Sino-British Joint Declaration. We intend to carry it out.

Why then the turbulence with China? We are not, as some maintain, engaged in a tussle about democracy. The principle of a steady increase in democracy is agreed and enshrined in the Joint Declaration and the Basic Law.

What we are talking about is putting that principle into practice. The governor's October 1992 proposals—put forward with our full support—were carefully designed to be consistent with the Joint Declaration, the Basic Law, and other relevant exchanges between the British and Chinese Governments. This has been confirmed by the unanimous evidence given recently by independent lawyers to the House of Commons Select Committee on Foreign Affairs.

It was simply not an option, in modern Hong Kong, to have held secret Sino-British negotiations on these vital issues before the governor had set out his thinking publicly. But we have not tried to bulldoze our proposals through. We made clear from the outset that they were proposals which we wished to discuss with the Chinese side. That is why we pressed so hard for talks. We were glad when they began in Beijing in April.

Since then, our negotiators have been grappling with the nitty gritty of electoral issues. But the underlying question is simple. Will we leave Hong Kong with an open and democratic system offering Hong Kong people a genuine choice and capable of holding the Executive to account? Or will we settle for a system based on small electorates open to manipulation and corruption? The answer to that question matters to everyone in Hong Kong because it affects fundamentally the character of Hong Kong.

Hong Kong has prospered thanks, in large measure, to its rule of law supported by a clean and efficient government. If that precious asset is to be preserved, then the elections to the Legislative Council need to be open, fair, and acceptable to the people of Hong Kong.

The Legislative Council makes the laws, approves the budget, and controls public expenditure. It plays a central role in Hong Kong's way of life. An elected and credible legislature is an essential buttress to the rule of law.

That is not a point which applies only to Hong Kong. Only recently, 42 law ministers from countries throughout the Commonwealth declared that “...just and honest government and the rule of law were best assured by processes of government which are manifestly open and accountable—from electoral systems to individual government decisionmaking”.

We have made a determined effort over seven months and 17 rounds of talks with China to reach agreement. I flew to Beijing to see my Chinese counterpart, Qian Qichen, in July, and met him again in New York in October. (British Prime Minister) John Major has written to the Chinese premier. We have not stood obstinately on our original proposals but have offered major moves to try to take account of China's views—without compromising on our principles and as part of an overall agreement.

We have, for example offered conditionally to reduce the proposed franchise of 2.7 million voters for the Functional Constituencies by about two-thirds—proof of the efforts we have made to try to achieve an agreement. We said at the start of the talks that they could not continue indefinitely. The time is rapidly approaching when the elections will have to be held. If they are to be held on time, electoral laws have to be passed promptly. They will be a huge task for the Legislative Council.

We therefore wanted to explore fully the possibility of an interim agreement. This would have enabled us to get on with legislation on the more urgent issues and gain a little more time to resolve the rest.

I explained to Mr Qian in New York on 1 October that this aim would not be achieved by an interim package restricted to District Board and Municipal Council elections. To deal with all the more urgent issues, an interim package would need to include the voting age and the voting method for all three sets of elections, including the Legislative Council and the abolition of appointed membership in the District Boards and Municipal Councils.

I can see no reason why this package should be difficult for the Chinese side. They had no problem with including some proposals applying to the Legislative Council—for example the voting age—in an interim package.

There are compelling reasons for including each of the elements in our interim package. These were explained clearly in the governor's statement to the Legislative Council last week. But despite our best efforts, it has not been possible to reach agreement on this approach with the Chinese side.

Time has now run out for pursuing these points. We need to let the Legislative Council get on with their work. The Governor has therefore announced that he will publish draft legislation on December 10 for introduction on December 15.

This draft legislation covers proposals which are largely uncontroversial in Hong Kong. We had hoped that they were relatively straightforward for China too. The Governor is not, at this stage, proposing to legislate on the main issues which remain in dispute.

I have been particularly struck by two points in recent days. First, when I explained to the House of Commons this week what we were planning to do, every single Member of Parliament who spoke, from all parties, supported our broad approach. Unanimity: A strong signal from Westminster.

Second, the community in Hong Kong has reacted in an impressively calm and self-confident way. People understand that we have not acted over-hastily, and that if elections are to be held, electoral laws need to be passed. That takes time.

But we are not walking away from the negotiating table. We have proposed a further round of talks on the remaining issues, where we have differences to resolve. We strongly hope that this round will take place and that we can reach agreement on the outstanding issues.

The transfer of sovereignty was never going to be easy. There was always going to be some bumping and grinding of gears along the road. On some things we may not be able to agree. But it does not follow that we have to squabble about everything.

There is a great deal to be done between now and 1997. We need to move ahead steadily, fulfilling our responsibilities under the Joint Declaration. It is a task that we would much prefer to carry out in cooperation with our Chinese colleagues. For both the present and future sovereign power, it is Hong Kong's interests—your interests—that must be paramount. It is your system that must be preserved, if the "one country—two systems" concept is to work.

#### **PRC Committee Preparing for 'Worst-Case Scenario'**

*HK0812102093 Hong Kong MING PAO in Chinese 8 Dec 93 p 3*

[“Special dispatch”: “Believing That the Talks Have Terminated, the Chinese Side Makes Preparations for Worst-Case Scenario”]

[Excerpt] The Chinese Government believes that it is impossible for the eight-month long Sino-British talks on constitutional development to go on. The Chinese side will properly make plans properly in accordance with the worst-case scenario of the original “preparations for

both eventualities,” speeding up the work of the Preliminary Working Committee [PWC] for the special administrative region. However, Hong Kong Governor Chris Patten has openly challenged the confidence the Hong Kong public has in the committee.

Informed Chinese sources in Beijing have disclosed that both the Chinese and British sides have made public their attitudes toward whether or not the talks on the constitutional development can be resumed. The British side has put forward gazetting part of the electoral plans and then submitting it to the Legislative Council. However, the Chinese side absolutely will not agree to hold the 18th round of talks under such circumstances. Therefore, the gazetting of the electoral plan by the British Hong Kong authorities this Friday will mean the breakdown of the talks on constitutional development.

#### **Leaders To Attend Meeting To Show Importance Attached to PWC**

The Chinese side holds that both sides have no room for maneuver and therefore, at present, the countdown for the official announcement of the breakdown of the talks has started. The Chinese have decided to expand the number of members in two existing advisory frameworks of the Hong Kong people as follows:

1. To expand the work of the PWC. Working teams will be set up under the five special PWC groups and then the existing Hong Kong affairs advisers, people's deputies, and members of the Chinese People's Political Conference may choose for themselves to join the work of any team. Since they will participate in the work in their personal capacity, there will not be any question of putting the people's congress under the PWC. Various working teams may invite other social figures to participate in the work.
2. To expand the scope of the Hong Kong affairs advisers. The Chinese side will announce the namelist of the third group of Hong Kong affairs advisers at the beginning of next year. It is expected that the background of this group of Hong Kong affairs advisers will enjoy greater support than the existing two groups and the Chinese side will include people from democratic parties acceptable to the Chinese side. Besides, the existing two groups of Hong Kong affairs advisers will all be invited for another term of office after their two-year term is over.

In order to regulate the steps of the PWC in its preparations for the breakdown of the Sino-British talks, leaders will attend the three-day PWC Second General Meeting, which will begin tomorrow (9 to 11 December). Groups under the PWC will hold group meetings today.

It is reported that Jiang Zemin, state president and concurrently general secretary of the CPC Central Committee, or Premier Li Peng, will attend the closing session of the PWC on Saturday and will deliver a speech to show the importance the Central Committee attaches to the committee.

Qian Qichen, vice premier and concurrently foreign minister, will also deliver two speeches in his capacity as PWC chairman on the first day of the meeting and at the closing session. Lu Ping, director of the Hong Kong and Macao Affairs Office, in his capacity as PWC secretary general, will hold a news conference after the meeting ends on Saturday, that is, the second day after the Hong Kong Governor gazettes part of the plan for electoral arrangements as promised.

According to a report by our staff reporter, the Chinese side is well prepared and once the British side gazettes part of the electoral plan, at his news conference Lu Ping will make public the whole course of the Sino-British talks on constitutional development.

The PWC will first hold a meeting of directors and, to keep in line with PWC's work at full speed, the law, society, and culture groups will hold group meetings today. According to reports, these three groups have held only one meeting since July and, what is more, there was no clear sign of a breakdown in the talks at that time. Therefore, it is necessary to make arrangements again at this present critical moment. [passage omitted]

#### Sources: PRC Plans 'Restrained' Response to Gazettal

HK0912115793 Hong Kong HSIN PAO in Chinese 9 Dec 93 p 2

[Report from Beijing by correspondent Fan Cho-yun (5400 0587 0061)]

[Text] Lu Ping, director of the Chinese State Council Hong Kong and Macao Affairs Office, has suddenly decided not to hold a news conference after the plenary session of the Preliminary Work Committee [PWC] of the Special Administration Region Preparatory Committee is concluded. Informed sources in China disclosed to our staff reporter yesterday that high-level authorities in Beijing have decided to deal with the Hong Kong Government's gazettal of the partial constitutional reform bill on Friday in a restrained and mild manner. In order to minimize the shock to Hong Kong society of the breakdown of talks, Beijing will respond to the gazettal in a low-key manner. However, this official emphasized that Lu Ping's decision not to hold a press conference does not mean that there has been a favorable turn for the talks. He revealed that the Sino-British diplomatic contacts aimed at reopening talks have been fruitless.

According to the sources, Qian Qichen, Chinese vice premier and foreign minister, will deliver an important speech at this morning's opening session of the PWC plenum. Qian will make a policy statement on China's plans regarding preparations for the recovery of sovereignty and arrangements for the transition. But he will not touch on the details of the arrangements for setting up a separate kitchen. It is said that Qian Qichen will, in his speech, sum up the situation and keynote the future work of the PWC. But he will not lash out too strongly at

the British side's tabling of the bill in his speech. This means that Beijing's vehement attack on the British side after the gazetting in March this year will not be repeated.

It is also revealed that Jiang Enzhu, vice chairman of the PWC, vice minister of foreign affairs, and Chinese representative to the Sino-British talks, will explain to the members the cause for the breakdown of talks at today's session. But Jiang Enzhu will not disclose all the contents of the entire 17th round of talks at the meeting.

At the closing session of the PWC general meeting this coming Saturday, Qian Qichen will make another speech. Chinese Premier Li Peng will grant an interview with all the PWC members at Diaoyutai State Guesthouse and make a speech on Saturday morning.

According to the sources, the Hong Kong and Macao Affairs Office did at one point contemplate arranging a press conference for Lu Ping, who is also secretary general of the PWC, on Saturday when the PWC meeting concludes. But after careful assessment, Beijing's high-level authorities concluded that the Chinese side should respond to the tabling of the bill in a rational and restrained manner, so as to reduce the shocks to the people of Hong Kong caused by the breakdown of talks. Thereupon, they decided that it was unnecessary for Lu Ping to hold a press conference to strike back at the British side in a conspicuous way.

The Chinese sources said to our staff reporter that, regarding the Hong Kong Government's gazettal of the partial constitutional reform bill on Friday and tabling it in Legco [Legislative Council] next Wednesday, the Hong Kong and Macao Affairs Office will make a statement in response when necessary. The Chinese side also does not rule out the possibility of issuing a statement and publishing facts about the talks, so as to give the Hong Kong public an idea of how the talks actually broke down.

The sources emphasized that the Chinese side's adopting a restrained posture does not mean there has been a favorable turn for the talks, still less that the Chinese side is weak. He said: Since the 17th round of talks ended, the diplomatic contacts between China and Britain aimed at reopening the talks have landed in an impasse. For the time being, he does not see the possibility of an 18th round of talks.

Luo Qi Hui [5012 4860 1979], spokeswoman of the British Embassy in China, confirmed to this reporter that there has been no progress so far in the diplomatic contacts aimed at reopening the talks and that the two sides cannot yet set a date for the 18th round of talks. But she emphasized that China and Britain are still maintaining normal diplomatic contacts. According to some information, the Chinese side wishes to respond to Hong Kong Government's tabling of the bill in a mild manner mainly because Beijing does not want the breakdown of the Sino-British talks on constitutional reform to trigger an immediate overall collapse of Sino-British relations.

Moreover, Beijing sees the need for the Chinese side to maintain cooperation with Britain on such issues as Hong Kong's economy, law, and people's livelihood in the coming years.

The PWC will hold panel discussions this afternoon (Thursday) and tomorrow morning and afternoon. The five special panels will also hold meetings on Saturday afternoon.

### **Qian Qichen Addresses Preparatory Committee Session**

#### **Expresses 'Confidence' in HK's Future**

*JW0912075693 Beijing XINHUA in English 0723 GMT 9 Dec 93*

[Text] Beijing, December 9 (XINHUA)—Vice-Premier and Foreign Minister Qian Qichen today expressed confidence in the future of Hong Kong.

Addressing the opening ceremony here of the Second Plenary Session of the Preliminary Working Committee for the Preparatory Committee of the Hong Kong Special Administrative Region of the Standing Committee of the National People's Congress, Qian said that the future of Hong Kong is closely linked with the future of the motherland.

Support from the strong motherland and the broad masses of the compatriots in Hong Kong will surely be a firm guarantee for maintaining the prosperity and stability of Hong Kong.

He stressed that as a quickly developing motherland, which is daily becoming more prosperous and has an increasingly higher international standing, China will become more and more attractive and acceptable to the compatriots in Hong Kong.

As the date of July 1, 1997, approaches, more and more compatriots and people of all walks of life in Hong Kong are consciously coming to the side of maintaining the prosperity, stability and smooth transition of Hong Kong, forming a strong social force to fight against those attempting to sabotage the prosperity and stability and obstruct the smooth transition, said Qian, who is also director of the preliminary working committee.

Qian reviewed the work of the Preliminary Working Committee since July this year, when the first plenary session of the working committee was held.

He disclosed that the participants in the second meeting of the political affairs group under the working committee held in early November this year said at the time that the working committee should make preparations for two eventualities.

On the one hand, the working committee hoped the Sino-British talks would result in agreements because such a result is beneficial to a smooth transition of Hong

Kong. On the other hand, however, it was necessary to make preparations in case the talks would result in no agreements.

If the British-Hong Kong authorities submit their bill to the legislative council for discussion before the two sides reach an agreement on the arrangements of the 1994/95 elections in Hong Kong, the political affairs group would immediately study the proposal about the concrete method for the formation of the first legislative council of the Hong Kong Special Administrative Region and submit the proposal to the meeting of the working committee for discussion.

This showed that the political affairs group had the sense of responsibility and its work was realistic and flexible, Qian said.

However, it was a pity that the latest round of the Sino-British talks reached an impasse because the British side lacked sincerity and deliberately complicated the issue.

Not long ago, the British-Hong Kong authorities announced that they would submit the partial constitutional bill to the legislative council for discussion. Under such circumstances, it is necessary for the preliminary working committee to intensify its work and the current second plenary session of the working committee will seriously discuss the issue.

Qian also said that the publishing of the Third Volume of the Selected Works of Deng Xiaoping was a big event in the political life of China. Many speeches on the issue of Hong Kong made by Deng Xiaoping and included in the book have a very great guiding significance for the work of the preliminary working committee.

The three-day plenary meeting of the working committee will listen to the work reports of its subordinate groups and examine the groups' work programs, which will be submitted to the meeting of directors for approval. After the work programs are defined, the specialized groups will start working substantively.

#### **Exhorts Committee To 'Speed Up' Work**

*HK0912063093 Hong Kong AFP in English 0556 GMT 9 Dec 93*

[By Gilles Campion]

[Text] Beijing, Dec 9 (AFP)—China on Thursday instructed a select group preparing for post-1997 Hong Kong to "speed up its work" in response to Governor Chris Patten's decision to press ahead with democratic reforms in the colony. The message came from Foreign Minister Qian Qichen as he opened a three-day meeting of the Preparatory Working Committee, which he chairs, in the Chinese capital.

The committee, which includes several pro-Beijing personalities from Hong Kong as well as Chinese officials, is seen as a potential "shadow government" as British rule in Hong Kong winds down.

Saying that "Hong Kong's future is directly tied to China's," Qian regretted what he called Britain's "lack of sincerity" during 17 fruitless rounds of talks on the colony's political future. "This led the negotiations to an impasse," he said.

China has virtually ruled out any more talks after Patten announced last Thursday that he would submit a partial electoral reform package to the Legislative Council next Wednesday. The contents of those reforms are to be published in Hong Kong's official gazette Friday.

Speaking in Hong Kong, Patten rejected Qian's charge of British insincerity. "I think it is sometimes the case that words mean different things to Chinese officials," he said. "I think what the word 'sincerity' means to some Chinese officials is, 'Everyone in the world must agree with us, otherwise they're not being sincere,'" he said.

Qian recalled that the committee's judicial subgroup had met in November to study what actions to take if Sino-British talks—which began in April—either succeeded or failed. "If the Hong Kong government puts its reform bill before the Legislative Council, the judicial subgroup shall immediately study concrete ways of actions and put them before the committee," he said. "I know that we can act with speed and flexibility," he added.

Qian said the committee's task was to "bring together all opinions, in an open and democratic fashion, to assure the smooth transition of power in 1997, as well as the stability and prosperity of Hong Kong, and also to protect the interests of our compatriots."

He recalled that President Jiang Zemin has just returned from a foreign tour that included a summit meeting in Seattle last month with U.S. President Bill Clinton. "This shows that the international situation is developing in our country's favor," he said. "A China that is strong, prosperous, and in full development, playing a growing international role, will guarantee the stability and prosperity of Hong Kong and also reinforce the confidence and understanding of Hong Kong compatriots in the motherland," he said.

At the core of the dispute is arrangements for 1994 local and 1995 Legislative Council elections in Hong Kong—the last to be held under the Union Jack.

The "simpler" reforms to be tabled next week would lower the minimum voting age to 18, abolish government-appointed seats in local councils, and enshrine British-style single-seat constituencies.

In doing so, Patten had hoped to buy time for more Sino-British talks on thornier issues relating to the more

crucial 1995 elections, including enlarging the voting franchise for Legislative Council seats reserved for special-interest groups.

China has said that if Patten's reforms go ahead, it would stage all-new elections in 1997 according to its own criteria.

#### Group Seeks To Aid Tiananmen Victims' Families

HK0812070093 Hong Kong THE STAND 1RD in English 8 Dec 93 pp 1, 4

[By Winky Po]

[Text] A Hong Kong organisation dubbed "subversive" by Chinese authorities will seek to provide financial support for an alleged network of 10,000 mainland families of victims of the 4 June 1989 Tiananmen Square crackdown through "open, peaceful and lawful means." But the Hong Kong Alliance in Support of the Patriotic Democratic Movement in China is still to confirm the identity of the families seeking help before using any of the \$7 million in public donations in its coffers.

Alliance spokesman and United Democratic Party member Cheung Man-kwong said after a meeting of the alliance's executive committee members last night that recently released dissident Wei Jingsheng had told "a friend" in the committee member about a network of 10,000 mainland families in need of financial help from the alliance. The alliance had been independently contacted by an unnamed person who spoke of the same network and who requested assistance. It was now seeking confirmation from Wei and others. "We would provide the funds to help these families as soon as we are sure of the identities and their needs," Wei could not be reached to confirm the existence of the network last night.

Cheung said if the alliance were to go ahead with the plan, they would seek to do it through "open, peaceful and lawful means." "Only through an open, peaceful and lawful means approved by the Chinese government could we help such a wide scope of people as has been alleged," he said. "Only through open and peaceful means could we ensure the safety of the people who are to get our funds... We don't intend to do anything to provoke the Chinese authorities."

Cheung said the Chinese authorities should "respect the issue from a 'humanitarian perspective'" and not discriminate against these families. "Whatever they did to the victims themselves, their families are not guilty of any crime and should not be punished just because they are related to the victims," he said.

Cheung dismissed suggestions the alliance would acknowledge the 1989 prodemocracy movement as "counter-revolutionary" in order to obtain China's approval to help these families openly. He said all means open means were approved by the Chinese government.

for the alliance to contact the families, the alliance would seek to help "through means which could not be divulged to the public". Cheung said in the past four years the alliance had provided assistance to the 1989 pro-democracy activists and their families "on an individual basis". But he would not say how much money had been given to these victims nor what the alliance was prepared

to donate to the 10,000 families, only saying that the alliance accounts were "closely audited by certified accountants".

The alliance and its leaders Szeto Wah and Martin Lee, both legislators, were dubbed "subversive" after they openly called for the end of the communist regime in China during the pro-democracy movement in 1989.

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